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ECONOMIC DEVELOPMENTS IN EAST AND SOUTHEAST ASIA DURING 1954

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The position of the Asian countries as regards international payments appears on the whole to have improved in 1954. The gold and foreign exchange reserves of the countries enumerated in table 1 increased by nearly US$100 million to $4,133 million in 1954, representing a rise by 2.4%. The exports of the countries shown in table 2 (exclusive of Indochina and Thailand, whose figures were still unknown at the time of writing) increased by 6.8%; the imports of these countries (excluding Indochina) were down by 2.9%. From the data of the International Monetary Fund, which are published in International Financial Statistics, it can be computed that the above countries' share in the aggregate gold and foreign exchange assets (exclusive of I.M.F., E.P.U. and B.I.S.) remained unaltered (8.4%). The share in total world exports appears to have increased from 8.1 to 8.4%, while the share in world imports has decreased from 10.2 to 9.6%.

TABLE 1—OFFICIAL GOLD AND FOREIGN EXCHANGE HOLDINGS OF SOME ASIAN COUNTRIES
(US$ million)

	1951	1952	1953	1954 1st quarter	1954 2nd quarter	1954 3rd quarter	1954 4th quarter
Burma	159	198	211	195	182	139	124
Ceylon	217	163	114	130	151	154	168
India	1,888	1,729	1,765	1,828	1,809	1,782	1,782
Indonesia	511	314	212	189	157	208	248
Japan	924	1,101	895	740	734	844	971
Pakistan	505	295	296	335	299	290	328
Philippines	244	236	240	241	246	238	207
Thailand	359	352	302	291	265	265	273

Source: International Financial Statistics.

A closer examination shows that the development of trade and payments in the various Asian countries has been very different. The leading rice exporters Burma, Thailand and Viet Nam, Laos and Cambodia, went through a difficult year owing to the further fall of the rice price. Their outlook for the year 1955 is not too promising either, since the production of rice in the other Asian countries continues to show a tendency to increase and some factors, favourable to these countries, which presented themselves in 1954, such as Japan's poor rice crop and the building-up of food supplies in India, are not likely to recur to an equal extent in 1955. It must be noted that the policy pursued in the other Asian countries, aiming at expansion of the rice production, as well as the economic policy of these countries in general, which it is known has a strongly autarchic element, may from an angle of inter-regional and international division of labour have disadvantages and may, failing the setting-in of a marked improvement of prosperity, lead to restraint of trade. Naturally these tendencies constitute an obstacle to the intensification of mutual economic relations between Asian countries, over which a growing interest has been displayed of late. The problem of multilateral settlement of debts payable and receivable by one Asian country with another has meanwhile been dealt with in 1954 within the framework of the E.C.A.F.E. Having regard to the small portion of interregional trade that can be settled in this way, it was considered

that the creation of a payments union for South-East-Asia would for the time being be premature.

The raw material producing countries Malaya, Indonesia and Ceylon were in 1954 in a position to benefit by a considerable increase in the prices of rubber and tea, which contributed towards strengthening these countries' gold and foreign exchange reserves. Less favourable was the trend of the prices of jute and cotton (Pakistan, India), which declined and did not recover until in the last few months of 1954. The increased export proceeds of Japan and India are mainly due to increased export volumes, which also applies to the Philippines (sugar and copra). On the other hand, Taiwan's export volumes (sugar and rice) decreased.

The year 1954 has once again clearly demonstrated how strongly the trend of the prices of only a few export products can affect the economic position of the majority of Asian countries; especially the rubber producing countries became aware again of their great dependence upon the trade cycles in the U.S.A. The fact that the economic downcome which started in that country in 1953, confined itself to a minor recession and that meanwhile a revival has set in in the last quarter of 1954, that in other words a certain degree of trade cycle control was successful and a depression was averted, is also to be considered of great importance to the Asian countries. The fact that the so much feared reaction of this recession on Europe's economy was not forthcoming, was also a cheering circumstance.

The food position showed a further improvement in 1954, due to increased production of food. The cost of living, shown in table 4 for a number of countries, decreased in general as a result of the lower price of rice. However, in Indonesia the cost of living increased in consequence of the enforced import restrictions, and of inflationary tensions. In the rice exporting countries the fall in the price of rice affected public revenue more greatly than the incomes of producers or the cost of living of consumers.

The production of the manufacturing and mining industries, on the whole, showed an increase. Exceptions hereto are as far as mining is concerned the Philippines and as regards the manufacturing industry probably Indonesia, as a result of the increased shortage of raw materials. Industrial development is everywhere promoted by a certain degree of protection. A very important problem in this industrial development is, in fact, the introduction of a cost cut reduction, which is in general only feasible with the aid of a better technique and, consequently, with additional investments.

Expansion of investments—the basic problem which the Asian countries are confronted with—can only be effected by either domestic savings and greater propensity for investments, or increased foreign loans and aid or increased foreign investments. Though practically all underdeveloped Asian countries now have development plans which, as stated in the foregoing, have an autarchic tendency, great differences both as regards feasibility of planning and mode of implementation are to be observed in the individual countries. Of the democratic countries India and Pakistan are considerably ahead of the other countries, whilst besides considerable progress has been made in the Chinese People's Republic, though of course, considering the entirely different approach, this is not quite comparable with the progress made in the democratic countries. It has been found that in the last few years there has been a considerable increase in domestic savings in India, while a further feature worthy of notice is the growing significance which is being attached there to the carrying out of community projects. Also in the third report of the Colombo Plan attention is drawn to the importance of voluntary community co-operation activities, especially for such areas as offer only limited possibilities of levying taxes on account of low incomes.

New private foreign investments in Asia have practically not been made in recent years, one of the reasons for this being, no doubt, the lack of a favourable investment climate in most countries. Foreign aid, comprising that of the F.O.A., the Colombo Plan, the Eximbank and the World Bank, has played a more important role and it is to be hoped that it will continue to be on the increase in the future to span the gap between the cost of expenditures for economic development and the funds available. It must be considered of importance in

TABLE 2—BALANCES OF TRADE

(U.S. $

	1938			1951		
	Exports	Imports	Balance	Exports	Imports	Balance
Indonesia	381	275	+ 106	1,292	873	+ 419
Burma	181	79	+ 102	212	137	+ 75
Ceylon	104	86	+ 18	400	327	+ 73
Hongkong	185	188	— 3	780	856	— 76
India	—	—	—	1,611	1,793	— 182
Indochina	81	56	+ 25	135	304	— 169
Japan	767	759	+ 8	1,358	1,995	— 637
Malaya and Singapore	327	315	+ 12	1,984	1,554	+ 430
Pakistan	—	—	—	763	530	+ 233
Philippines	117	153	— 36	410	541	— 131
Thailand	89	57	+ 32	373	272	+ 101

Source: International Financial Statistics.

TABLE 3—PRICES OF MAJOR EXPORT COMMODITIES OF THE COUNTRIES OF SOUTH-EAST ASIA

Commodity	Country	Per cent of exports in 1952 World	Country's	Prices in U.S.$ ct/lb 1952	1953	1954
Cotton	Pakistan	13	50	46.80	33.40	35.80
Sugar	Philippines	10	26	5.11	5.45	5.35
Copra *	Philippines	48	33	5.58	8.30	6.98
	Indonesia	24	6	6.21	8.56	7.87
Jute	Pakistan	47	40	10.40	9.00	—
Manila hemp	Philippines	93	12	13.93	13.82	9.84
Rice	Burma	31	74	6.61	6.88	6.25
Rubber *	Malaya	40	48	31.40	22.00	22.00
	Indonesia	38	44	27.90	20.60	24.60
	Ceylon	7	25	33.70	32.40	28.60
Tea *	India	46	14	47.50	48.90	59.90
	Ceylon	41	48	45.20	50.10	68.20
Tin *	Malaya	35	13	118.20	89.40	86.90
	Indonesia	23	10	122.00	92.00	90.70

* Owing to disparity in computation (on account of varying quality, inclusion or exclusion of duties, etc.) prices of the same commodity from different countries cannot be compared.

Source: International Financial Statistics.

this connection that the U.S.A. government is paying attention to a development plan for Asia, on which it is expected approximately $500 million will be expended in 1955, over and above the economic and military aid already being given on behalf of Asia. Further, in 1954 the General Assembly of the United Nations sanctioned in principle the creation of the Special United Nations Fund for Economic Development (Sunfed), while the World Bank has been requested to draft regulations for an International Finance Corporation (I.F.C.), whose activities, unlike those of the Sunfed, will mainly be in the sphere of private foreign investments. It may be expected that these two institutions will also play their roles in the development of the Asian countries.

More extensive foreign aid should not only be deemed of great importance with a view to expediting economic development given the limited real resources which the underdeveloped countries have at their disposal, but also with a view to maintaining and where applicable restoring monetary equilibrium in the Asian countries. On the whole it may be said that more attention was given to the maintenance of monetary stability in the Asian countries in 1954, in some countries attendant with a relatively great economic progress. The conclusion seems justified, also for the Asian countries, that economic development in the countries which pursue a sound monetary policy made considerably greater progress than in the countries which resort to excessive budget deficits with resultant, in some cases seriously disturbed monetary equilibrium. Very rough indications about the monetary situation are given in the tables 4 and 5 dealing with cost of living and money in circulation. This will be reverted to in greater detail when the various countries are dealt with hereinafter.

Pakistan

In addition to political difficulties, which provisionally ended in September 1954, Pakistan also went through serious economic difficulties in 1954. In East Pakistan there were labour troubles as an aftermath of the political commotion, while both East Bengal and Punjab were swept by serious inundations. The drastic import restrictions introduced in 1953 after the foreign exchange reserves had been trenched

TABLE 4—COST OF LIVING INDEX OF SOME ASIAN COUNTRIES

	Burma 1948=100	Ceylon 1948=100	India 1948=100	Japan 1950=100	Pakistan 1950=100	Philippines 1949=100	Thailand 1950=100
1950	115	105	103	100	100	103	100
1951	112	109	107	116	104	112	111
1952	107	108	105	121	106	105	124
1953	104	110	108	130	118	101	136
1954 1st quarter	96	109	104	138	118	99	141
2nd quarter	103	110	104	138	115	99	141
3rd quarter	105	109	103	137	116	101	129
4th quarter	97	109	101	136	116	101	128

Source: International Financial Statistics.

OF SOME ASIAN COUNTRIES
million)

1952 Exports	Imports	Balance	1953 Exports	Imports	Balance	1954 Exports	Imports	Balance
934	948	— 14	820	753	+ 67	856	629	+ 227
264	192	+ 72	238	177	+ 61	241	204	+ 37
315	358	— 43	329	338	— 9	380	293	+ 87
510	663	— 153	480	678	— 198	424	601	— 177
1,295	1,695	— 400	1,116	1,197	— 81	1,181	1,231	— 50
116	450	— 334	96	395	— 299	96	343	— 247
1,273	2,028	— 755	1,275	2,410	—1,135	1,629	2,399	— 770
1,280	1,265	+ 15	987	1,058	— 71	1,016	1,026	— 10
532	611	— 79	439	349	+ 90	359	324	+ 35
352	482	— 130	392	501	— 109	405	541	— 136
333	300	+ 33	322	336	— 14	273	320	— 47

TABLE 5—MONEY SUPPLY IN SOME ASIAN COUNTRIES
(end of month figures in millions)

	Burma Kyat	Ceylon Rupee	India Rupee *	Indonesia Rupiah	Japan Yen *	Pakistan Rupee	Philippines Peso	Thailand Baht
1950 December	551.7	911	18.3	4,392	789	2,972	1,148	3,968
1951 December	605.6	1,006	17.7	5,132	1,048	3,764	1,053	4,907
1952 December	634.9	896	16.8	6,719	1,265	3,232	1,089	4,932
1953 March	845.0	899	18.5	6,276	1,175	3,346	1,100	4,995
June	878.9	880	17.4	7,204	1,207	3,389	1,046	5,062
September	821.4	824	16.7	7,467	1,227	3,379	1,047	5,145
December	779.8	827	17.2	7,642	1,439	3,567	1,105	5,438
1954 March	980.5	810	18.5	8,014	1,277	3,703	1,124	5,686
June	947.2	856	20.0	8,814	1,262	3,682	1,082	5,420
September	922.8	881	17.7	9,785	1,221	3,586	1,091	5,681
December	859.2	957	18.3	11,084	1,463	3,838	1,100	—
Per cent increase 1954	10.2	15.7	6.4	45	1.7	7.6	—0.5	—

* In billions
Source: International Financial Statistics.

upon to a considerable extent, led to a shortage of consumer goods and to an increase of the prices of import commodities in 1954. Thanks to a considerable extension of American aid, it was possible in the first half year of 1955 to liberalise importation.

The volume of U.S.A. aid for the current fiscal year, ending in June 1955, has been fixed at $105 million; in addition a sum of $55 million is made available for military purposes. Besides the point four technical assistance and the emergency flood relief, support is also likely to be given in the execution of the six-year plan, one of the forms of support being the supply of American surplus stocks, partly as a gift and partly against payment in rupees.

The proceeds from exports did not reach the level of 1953. Only in the fourth quarter of 1954 did an improvement set in, connected with the rise in prices of jute and cotton, which two products yielded more than 80% of the aggregate proceeds from exports. As a result of the introduced import restrictions the balance of trade was still showing a surplus. The official gold and foreign exchange reserves as at the end of December 1954 were Rs 32 million higher than a year before.

Both the planning and the carrying out of economic development projects are proceeding most satisfactorily. The planning comprises the building-up of a jute and textile industry (the partition of 1947 deprived Pakistan of its jute mills) as well as the establishment of power, chemical, cement, paper and sugar plants, so as to broaden the basis of Pakistan's economy. Much has been achieved already in the sphere of industrialisation. The target for the end of June 1957 of 6,000 looms for the jute industry which, working on full capacity, can produce 200,000 tons of jute fabrics, for instance, will be completed as early as in the middle of 1955. Six of the planned twelve jute mills are productive already; the rest will be put into operation in 1955. Considerable progress has also been achieved in the textile industry, where the number of spindles increased from 177,000 in 1949 to 1,316,000 as at the end of 1954. Inland investments in industrial undertakings in 1953/1954 were of approximately the same volume as the total amount of these investments in the preceding five years. In addition, considerable foreign aid was obtained within the framework of the Colombo Plan. To encourage private foreign investments new arrangements were published at the end of 1954, whereby foreign investors were allowed to hold a majority interest in approved industries; before that time their holding was only allowed to amount to 49% of the total capital. For capital invested after September 1954 more liberal facilities have been granted, especially as regards transfer of profit and repatriation of capital.

India

India could in 1954 reap the fruits of the work done in the preceding years. Towards the close of the year 1953 it became clear that the period of scarcity was at an end and 1954 showed a further improvement in the supply of goods. Favourable weather conditions have admittedly been contributive, but nevertheless this improvement has to a considerable extent been due to increased economic activity, both in the agricultural and the industrial sphere, and on the whole to the successful execution of the first five-year plan, started with in 1951, which is filling such a central role in India's economic expansion.

Tea culture had in 1954 the benefit of the considerable price increase. Other important products, such as cotton and jute, rice and wheat, showed a tendency to fall. The export of jute displayed a decline as a result of growing competition, i.a. from Pakistan. On the other hand, production and exports of other industrial products increased.

Agricultural crops have increased by approximately 20% in the last three years. Besides to a more intensive use of artificial fertilizer, the adoption of Japanese cultivating methods, the carrying-out of community projects and especially the construction of irrigation works, these increased crops are also due to the reclamation of new areas. A further expansion is being expected to result from an improvement in the rural credit system.

The industrial production index, which had increased from 108 to 133 in the period from 1951 to the end of 1953, further increased to 147 in November 1954 (1948 = 100). The total increase during the first three years of the plan is about 35%. With British, American, German and Russian assistance the steel production, which has hitherto been lagging behind, will be considerably stepped up in the next few years.

An interesting feature is that this economic expansion was attended with a remarkable monetary stability. There was no question of an inflationary situation, while the condition of India's balance of payments and the volume of the gold and foreign exchange reserves in the second half year made it possible to liberalise imports. The indices of wholesale prices as well as of cost of living showed a slightly downward tendency during 1954.

Capital expenditure for the five-year plan is in arrear of the planning. Although it is intended to further increase investments during the last few years of the plan, it must be doubted whether the entire plan can be executed in time. It is expected that for the financing of these investments deficit-financing will have to be resorted to in a higher degree than hitherto; if kept within reasonable limits seeing the import liberalisation and the growing

production, this need not entail an inflationary threat. Of the total expenditure during 1951 to 1954 of Rs 885 crores a sum of Rs 535 crores could be financed out of public and private savings; about Rs 132 crores was obtained in the form of foreign aid. The deficit of Rs 218 crores led to an increase of the floating debt by Rs 50 crores and to depletion of the public cash holdings by Rs 146 crores, the balance being covered by the sale of securities. Thus domestic savings have, it appears, played a most important role in the financing already; the further extension and mobilisation thereof is being paid great attention to.

That banking can play its part here is self-explanatory. The creation of the State Bank of India, primarily aiming at an improved system of agricultural credits, can at the same time promote the mobilisation of rural savings. Another creation to be mentioned is that of the Industrial Credit and Investment Corporation of India, in which various banks and insurance companies have participated and which will be able to contribute towards the financing of private investments.

Ceylon

The year 1954 was favourable for Ceylon. The foreign exchange reserves, which had reached a nadir in November 1953, have steadily increased in 1954.

The balance of trade was active practically throughout the year, unlike in the years 1952 and 1953. Public finance yielded a cash surplus and the cost of living showed a high degree of stability.

The improvement in the balance of trade and the balance of payments was to a considerable extent due to improved terms of trade; especially the tea price increased substantially. In addition there were the loans granted by the United Kingdom and the World Bank, which are used for carrying out various development projects, as is the aid received within the framework of the Colombo Plan. A ten-year 3¼% internal Government loan of Rs 7 crores was oversubscribed. The attraction of private foreign capital however is still being hampered by the prevailing immigration regulations for foreigners.

Ceylon succeeded in 1953 in limiting its public expenditure, which had reached a high level during the Korean boom and constituted a threat in respect of the foreign exchange reserves. The budget expenditure for the year 1954/1955 has been projected, as far as total volume is concerned, on approximately the same level as in the preceding year, but is more strongly focussed on investment outlays, while the Government's consumptive expenditure has been further curtailed. Export duty on tea has been increased several times since May. The small deficit of Rs 48 million appearing in the new budget is amply covered by the facilities to draw on the U.K. loan of Rs 64.5 million, so that no inflationary pressure will be exerted by it. Thus, as the Minister of Finance put it, the stage of economic development with financial stability was reached.

In October agreement was reached with the Chinese People's Republic regarding continuation of the rubber/rice barter. The quantities were maintained at 50,000 tons rubber and 270,000 tons rice, but the prices, especially that of rice, were fixed at a low level. In addition to this trade with China, Ceylon hopes it will be helped by the U.S.A. in its further economic development; a development not only aiming at renewal and extension of the existing production apparatus (i.e. rubber rehabilitation schemes), but also at broadening the now still so narrow economic basis.

Burma

The decrease in the gold and foreign exchange reserves of Burma since the middle of 1953 is to be attributed to the decline of the terms of trade, the high capital expenditure for reconstruction, the maintenance of large private imports and the redemption of foreign debt to the United Kingdom and, partly, to India. Negotiations with the World Bank are going on about a loan to be granted, in which connection a mission of the bank visited Burma recently. In November the peace treaty with Japan was signed, the war damage receivable was fixed at a value of $250 million, while furthermore it was made possible for Japan to participate in Burmese development projects.

The decline of the terms of trade is mainly due to the fall in the price of rice, which commodity forms about 80% of the overall proceeds from exports. Thanks to an intensive campaign carried on by the Government during the second half year total exports of rice in 1954 were even larger than those of 1953. In an effort to further raise rice exports, the state monopoly for export has been abandoned and private exporters have been given freedom of action again.

The reduced profits out of the rice monopoly had their repercussions on the financing of the development projects; deficit-financing was resorted to in a higher degree. To reduce the state's deficit the excise duties on spirits, cigarettes and sugar were increased, while it is also considered to reduce investment outlays, since with a view to inflationary consequences upholding it at present rate could do more harm than good. Much will depend on whether or not the World Bank will grant a loan.

In March 1955 all open general import licences were withdrawn, as a result of which it became possible to gain full control of imports. Although this measure has meanwhile been alleviated for a number of import articles, it may nevertheless be expected that imports will more than before be confined to necessities.

Thailand

Notwithstanding the import restrictions enforced in 1953, the balance of trade, as in 1953, for 1954 again resulted in a deficit. As in the case of Burma, this is accounted for by the decrease in the price of rice. Owing to the Government adhering too long to the policy of keeping up the selling prices of rice, the export volumes dropped from 1.3 million tons in 1953 to 1.0 million tons in 1954. In Thailand too it has meanwhile been decided, in view of the difficulties being encountered, to return rice trade to private enterprise. Though Thailand has besides rice other important export commodities such as tin and rubber, still approximately 50% of all export proceeds is accounted for by rice. Tin exports decreased as compared with 1953, but there was a considerable increase in rubber exports in the second half year of 1954.

The high public expenditure and the reduced public revenue, the latter largely originating from the rice trade, in 1954 again led to a considerable budget deficit; the budget for 1955 shows a deficit of over Tical 1,200 million. The import restrictions introduced in 1954 enlarged the danger of inflation. For this reason a tight money policy was pursued, which has led to a tight money market. A bright spot is the increased foreign aid, being rendered both as mutual defense aid and within the framework of the F.O.A. After a sum of $8.5 million was supplied last year for road construction, the F.O.A. will in the current year make available an amount of $36.7 million for the development of power projects and telecommunication. Industrial development is being hampered by lack of fuel, power plants and technical personnel. The Government's activity in the sphere of investments is especially focussed on the development of power plants and on the improvement of transport facilities.

Viet Nam, Cambodia and Laos

The termination of the war—the cost of which amounted for France, the U.S.A. and the associated States, to about $9,000 million—and the Geneva conference in July 1954, ceding the territory north of the 17th parallel to the Viet Minh and making the States south of that parallel sovereign, have not yet brought about the restoration of circumstances which may be considered favourable to the so necessary rehabilitation.

In the beginning of 1955 there was food scarcity in northern Viet Nam, owing to protracted drought and to the devastations of seven years of war. Moreover upwards of 70,000 farmers and farm hands fled to the south, which by the way aggravated the difficulties there, especially originating from lack of unity. Meanwhile in northern Viet Nam, in analogy with the Chinese People's Republic, as a first measure approximately 30,000 hectares of land have been expropriated, with and without compensation.

In the rehabilitation of the Southern States aid from the U.S.A. will play a prominent part; a sum of $300 million is being spoken of in this connection.

After prolonged negotiations between France and the three Southern States a number of agreements have been concluded, which terminated as from the year 1955 the economic union of the said States which had existed since 1950. Each of the States now has its own foreign exchange centre, customs organisation, bank of issue and monetary unit. The monetary units will have the same parity vis-a-vis the French franc, while the interstate exchange of goods will be governed by mutual preferential duties and tariff exemptions for transit goods.

Further, each State has the Mekong River as fluvius liberum, while certain sectors of the port of Saigon, situated in Viet Nam, have been assigned to Cambodia and Laos as free port. In the course of 1955 economic agreements will be concluded between these three States and France.

Philippines

The gold and foreign exchange reserves, which had fluctuated only slightly in the preceding years, went down in 1954, especially in the fourth quarter, to the low level of 1949 mainly as a result of additional textile imports. Not only the exchange of merchandise, but also that of invisibles resulted in a deficit. Though American spendings in the Philippines are showing a downward tendency, they are still of sufficient volume to offset the deficit on the balance of trade. The proceeds from exports showed an upward tendency in 1954. Considering the renewal of the trade agreement with the U.S.A., no extraordinary difficulties are being expected in the sales to foreign markets; the Bill Act of 1946 was, at the request of the Philippines, altered in respect of various items, but the duty-free trade on a basis of reciprocity was continued.

Economic activity showed, on the whole, a further increase in 1954. Of the important export commodities copra, sugar and timber again displayed an enhanced production. The production of food crops likewise increased; the index figure of industrial production rose from 112.9 in 1953 to 122.7 in 1954. On the other hand, the production of the mining and housebuilding industries showed in general a fairly strong decline, while also the production of tobacco and abaca diminished.

In financial respect 1954 was again characterised by a high degree of stability. Since 1950 the money supply and the cost of living have remained practically unaltered. The state's cash position improved in 1954 due to higher receipts from taxes on the one hand, and a lag of state expenditure on the other hand. The credits granted by banks increased by nearly 8%, while savings bank deposits and fixed deposits rose by nearly 14%.

It may be expected that while proceeding with the carrying-out of the development projects due attention will as hitherto be given to maintenance of the achieved monetary stability.

Taiwan (Formosa)

Taiwan's balance of trade for 1954 showed a deficit of US$12.4 million. Export proceeds decreased from approximately $120 million in 1953 to $98 million in 1954, while the value of imports increased by $10 million to $110 million. The deficit is mainly due to diminished exports of sugar and rice, resulting from reduced export quotas fixed under the International Sugar Agreement, and from the slump in the rice market. About 60% of all export proceeds is accounted for by sugar exports.

The country's economic structure being so highly dependent upon export, rationalisation is one of the fundamental problems Taiwan is confronted with. Other problems this country has to face are connected with the high expenditure for defense, the rapid growth of population (unemployment) and the limited natural resources.

The considerable progress made in various fields of activity during the past years (since 1949 industrial production more than doubled and agricultural production increased by more than one-third) has been attended in the last few years with a sound monetary development, which has since 1952 resulted in only a moderate increase in prices, a certain degree of stability in the cost of living and a diminishing increase in the money supply. The considerable aid rendered by the U.S.A. has played a prominent part herein. However, the increased belligerent activities in respect of the Chinese People's Republic, which started in 1954, have led to a larger deficit on the budget and aggravated monetary tensions

Japan

Japan's austerity policy, started in 1953, aiming at strengthening the position to compete in foreign markets, which was deemed necessary in view of the decreased American military expenditure in Japan, was continued all through 1954.

This policy has led to considerably curtailed imports, which was made possible by eating into available stocks. More difficult to ascertain is in how far this deflation policy contributed towards the large expansion of exportation in 1954. Hitherto it seems there has been no appreciable reduction in cost of production, though on the other hand mention is being made of quality improvement. Various protective measures and the so-called trade-link system have, together with liberalised importation into the sterling area and increased volume of trade in general, helped in bringing about a temporary expansion of exports. One of the forms protection has assumed is that of subsidies to shipbuilding and heavy industries, financed out of the profits from monopolies on a number of imported commodities, such as bananas, pine apples and sugar, making it possible for offers to be below cost price.

The balance of payments for 1954 resulted in an overall surplus of $99 million, against a deficit of $193 million in 1953. Receipts increased by approx. $200 million, expenditure decreased by about $100 million. Due to diminished U.S.A. military expenditure the dollar account has shown a deficit since October 1953. With a view to reducing this dollar shortage negotiations about a tariff-cutting agreement were conducted with the U.S.A. early in 1955. Liberalised importation into the sterling area put in 1954 an end to the sterling payments crisis prevailing

up to then. The gold and foreign exchange reserves had by the end of 1954 again reached a level of approx. $1,000 million, after they had decreased in May 1954 to some $800 million. This total, however, also includes a frozen part of some $250 million, comprising the debts receivable from Indonesia and Korea.

The tight money policy pursued by the country has at home led to a decrease in wholesale prices. The cost of living has remained stable. After industrial production had diminished from March to August, it rose again from that time to beyond the level of the corresponding period in 1953. Unemployment figures, however, did not yet show any amelioration. Thus, though on the whole the economic and monetary policy adopted led in 1954 already to sounder conditions, especially in monetary respect, the prevailing opinion is that this policy should be adhered to, if more permanent results are to be obtained. Since it is to be expected that the American spending will decrease still further, which will weaken the country's balance of payments position, more intensive rationalisation and raised labour productivity are being deemed essential to be able to maintain the present level of exports. Furthermore, early in 1955 the outline of a six-year plan was approved of, aiming at an expansion of Japanese economy and a high degree of autarchy while maintaining equilibrium in monetary respect and in the balance of payments.

Chinese People's Republic

Although information about China's economic development is scanty and practically no quantitative data whatsoever are available, yet a few publications make it possible to form a rough picture of it, from which the conclusion can be drawn that since the creation of the Chinese people's government in October 1949 there has been a considerable rise in production, a restoration of monetary stability, a progressive socialisation, and an increasing dependence upon the U.S.S.R.

The years 1951/52 brought the completion of the rehabilitation of the production apparatus, which had been severely devastated by world and civil war. In 1953 the first five-year plan for economic development was approved of, the main object of which being the development of heavy industries. This has led to scarcity of the first necessaries of life—which partly serve as payment for imported machines—in view of which a system of rationing and price control has been introduced. The first five-year plan aims at setting-up casu quo renewal of 600 large industrial plants, the majority of which will have to be completed in 1958. For 141 projects, mainly basic industries, assistance will be rendered by the U.S.S.R. The remaining projects mainly include plants for textiles, chemicals, light machines and sugar. It seems that, in general, the quantities of the targets for 1954 have materialised, but that the expectations as regards quality, cost price and labour productivity proved too high-strung.

The number of state-managed industries has greatly increased. The railways and the heavy industries were almost entirely in the hands of the state in 1952 already, as were banking and foreign trade. By then the socialisation of light industries, wholesale and retail trade had not proceeded that far. Education is adapted to the projected development (the number of technical students, for instance, increased from 19% in 1946 to 35% of the total number in 1952). Further, the efficiency of the state administration seems to have improved considerably.

Agricultural production, too, has strongly increased. It was stimulated in the first few years by extending the tenure of land, which was made possible by expropriation. Since then tillage has to an increasing extent been done by mutual teams, which promotes communal use of cattle and implements, thus improving efficiency. The autonomy of the landowner in respect of the use of his land is already considerably curtailed by these teams, or by the production co-operatives and their leaders; the final object is the establishment of large mechanised collective farms. It is expected that by the end of the first five-year plan more than 50% of the acreage under cultivation will be tilled by co-operative organisation, by collective and by state-managed farms. As the hoarding of gold and precious metals and the purchase of land are prohibited, the supply of textile goods into the country side has been intensified, so as to constitute a stimulus for increasing the production and selling available surpluses.

Since May 1950 the run-away inflation has been put and kept under control. As early as 1951, thanks to higher taxes, a more efficient collection of taxes and a rapid increase of the revenues of the state-managed industries, the budget resulted in a surplus. The rehabilitation and extension of transport system and production apparatus and the improved public administration have likewise contributed towards the monetary stability.

China's foreign trade, too, has undergone considerable changes. About 80% of this trade is directed to the U.S.S.R. and Eastern Europe. Imports shifted from consumer goods to raw materials and capital goods. The tensions brought about by the industrialisation plan are being mitigated by foreign (U.S.S.R.) economic and technical aid.

British Colonies in South-East Asia

Both the increase in the rubber price as the improved security favourably influenced Malaya's position in 1954. The successful fight against terrorism in 1954, the end to which for that matter is not yet in sight, has made it possible to reduce the emergency expenditure in the national budget for 1955 by 18%. The deficit on the 1955 budget has been estimated at $148 million, which though $74 million lower than the original estimate for 1954, nevertheless still represents 27% of all revenue. The improvement as compared with 1953 is the result of both curtailment of expenditure and increase of revenue. The two main sources of revenue are the export duties on rubber and tin, which have both risen.

Tin production reached a post-war record level in 1954. Malaya has meanwhile joined the International Tin Agreement, of which a certain degree of price stability is expected but which owing to insufficient backing has not been ratified yet.

Especially due to the price increase of rubber during the second half of 1954, the balance of trade also showed an improvement as compared with the preceding year. However, the entrepot trade suffered a decline.

Within the framework of the development programme, and pending the report of the World Bank, which sent a mission to Malaya early in 1954, the appropriations made for 1955 only comprise those for railway and telecommunication projects. It is expected that the World Bank will inter alia make recommendations regarding measures to be taken to enlarge the rubber industry's ability to face competition. It must further be noted that Malaya's development programme is largely financed out of loans, both internal and external. An internal 20-year 4¾% loan issued in 1954 was oversubscribed.

Hongkong's foreign trade displayed a further deterioration in 1954, which was mainly due to the decreased volume of trade with China. It is common knowledge that the United Nations' embargo on the export of strategic goods to China has dealt a heavy blow to the entrepot trade. Though this embargo has been lifted for various classes of

FINANCING OVERSEAS DEVELOPMENT

By John Kingsley

One requisite of an expanding world economy is the continued and increasingly supply of the right kind of capital goods. Higher living standards in developed and under-developed areas alike, are ultimately dependent on greater availability of foodstuffs and consumer goods and this greater availability must in turn depend on the provision of new factories and plant, of improved transport and communications and of means to intensify mechanisation.

The world's practical recognition of this fact, that capital goods create wealth, is well illustrated by the changing structure of international trade. To take one example, since 1913, while the value of exports of manufactures from eight of the leading industrial countries has risen fourfold, exports of machinery and transport equipment alone have risen in value about elevenfold. Again, over two-fifths of the exports of manufactures now consist of machinery and transport equipment compared with about one-sixth before the First World War.

The market for such capital equipment is literally world-wide being shared by both the less developed areas and those countries which are well advanced industrially. With these goods ever growing in complexity—one may refer for example to the needs of the new atomic energy and automation industries—advanced countries have found each other customers for certain categories of goods. It is in less developed areas, however, that the need for capital goods naturally enough is greatest. Such countries, eager to industrialise, want from industrially advanced countries capital equipment rather than simply consumer goods that they can make increasingly for themselves.

Few figures will give the idea of scope of this demand. In the Middle East, the Iraq Development Board has been spending around £35 million sterling a year and the figure is rising towards £50 million sterling.

In the Colombo Plan countries development outlays by the public authorities have more than doubled in the past four years. India, with the heaviest expenditure, is now preparing a second five year plan which points to the continued high import of capital equipment, steel output alone being scheduled to increase from the current 1.2 million tons a year to 6 million tons in 1962.

Development programmes such as these are being pressed forward vigorously in many countries but most of them are dependent at least in part on finance provided by industrially advanced countries, among them the United Kingdom.

Capital from the United Kingdom plays an important role in helping to finance overseas development, particularly in the Commonwealth and rough estimates set the total United Kingdom overseas investment at £220 million a year gross on the average over the years 1951-1953. This figure excludes inter-Government lending but includes United Kingdom Government investment in commercial projects, overseas borrowing on the London market and the whole range of purely private investment.

Some indication of private United Kingdom funds going to Sterling Commonwealth countries both to official and private borrowers, and to United Kingdom firms undertaking overseas expansion, can be obtained from details of borrowing authorised from the London market. It must be remembered, however, that this source does not include transfers made from existing resources of firms or retention abroad in the Sterling area of unremitted profits or of amounts of less than £50,000 borrowed in London, none of which require official sanction.

Commonwealth Governments including the Colonies have raised £157 million in London since. In addition, the International Bank For Reconstruction and Development was authorised by the United Kingdom Government to borrow £5 million on the market in 1951 and £5 million in 1954. The amounts approved for borrowing in London by private enterprises in Sterling and Commonwealth countries have risen from £40 million in 1953 to £50 million in 1955 (annual rate).

A new channel for private capital is the Commonwealth Development Finance Company Ltd., set up in 1953. Its main object is to assist in the provision of finance for development projects in the Commonwealth. It normally expects to lend where ordinary sources are inappropriate or inadequate. So far the company has agreed to investments totalling some £9 million.

Government funds for development abroad flow through various channels. One is the Colonial Development Corporation whose main task is to promote development in the field of commercial enterprise in the Colonies which private investment might be reluctant to undertake without some sharing of risks. At the end of last March total capital sanctioned was £57 million. The Government is also providing substantial funds for Colonial projects mostly in the form of grants and notably for basic development such as communications, through the Colonial Development and Welfare Acts, £140 million being provided for ten years to March 31, 1956. Under the new arrangements for 1955-60 the sum is to be £120 million, nearly double the earlier rate.

Another channel for Government funds is the International Bank, while there are also plans in progress for the creation of an International Finance Corporation which is designed to assist private undertakings without Govern-

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goods, an expansion of trade failed to present itself. Hongkong, however, managed to compensate the decline of its entrepot trade to a considerable extent by expanding its industry. Within a period of 10 years this colony has succeeded in developing from a purely trade centre into a trade and industrial centre, whereby the textile industry in particular displayed a large expansion. Nearly 30% of all exports is made up of locally produced goods. The low company tax has probably made a not inconsiderable contribution towards this rapid industrialisation.

Both North Borneo and Sarawak benefited by the increased rubber price. Copra exports of North Borneo were higher than in 1953, while Sarawak had very good crops of pepper and illipe nuts. Both areas had a budget surplus in 1954. In North Borneo attention is being devoted to replanting schemes for rubber and to the development of light industries and agriculture—in which effort however a shortage of labour is being faced with—while Sarawak's new plan for the years 1955/1960 has as its main projects: increasing the rice production, developing greater diversity of exportable goods, improving transport and expansion of social service.

FOREIGN INVESTMENTS IN FAR EASTERN COUNTRIES

Although if a desperate situation forces it to, a country can do without foreign capital—as underdeveloped Russia and China have agonisingly demonstrated it—most countries would be better off with, than without, foreign capital for their development. This is certainly axiomatic in the case of Asia. The incomes of the countries of this region are so low that their supply of capital is meagre. It is by augmenting their domestic capital supply through access to foreign capital that these countries can hope to raise the living standards of their people in the foreseeable future. Add to this the scarcity of technical skills and knowhow which usually come with foreign capital, and then the case for a large inflow of foreign capital and enterprise into Asia becomes overwhelmingly strong.

Asia needs two types of foreign capital associated with two different sources of supply—capital from international agencies and capital from private investors. To understand where one may be applied and the other encouraged one must first appreciate for what purposes Asia needs capital investment.

The demand for capital investment springs from three main sectors.

(1) Capital is required to expand or create an industry or raw material production.

(2) Capital is required to provide public utilities and major irrigation and land reclamation projects, which in their most recent development have assumed the character of multi-purpose schemes.

(3) Capital is necessary to finance basic development of a non-revenue earning character such as roads, sanitation, housing and educational services. In under-developed countries, the effective demand for investment, and consequently for foreign capital, in the first sector is generally dependent on the development in the second, and both in turn are affected by the development in the third sector.

In developed countries, on the other hand, the demand for foreign capital in the third sector is much less important. It will arise chiefly in the first two sectors. At present, if foreign capital does come to an underdeveloped country, it would tend to come for the first sector (i.e. for industries and raw material production) from private sources; for the second sector—i.e. for major utilities and irrigation projects—from public commercial investment organisations, such as the International Bank for Reconstruction and Development, the Export-Import Bank, and the British Commonwealth Development Finance Corporation. Grants under the Colombo Plan organisation have also served to finance projects in this sector.

Funds for the third sector—i.e. for roads, sanitation and educational services—are invariably supplied from domestic sources. Foreign aid, especially from the U.S.A. has recently helped to augment funds for this purpose.

The irony of it all is that in the absence of basic development in the third sector, expansion of public utility and multi-purpose projects (in the second sector) or of industry (in the first sector) is likely to be severely curtailed. It is the creation of basic development in roads, sanitation, housing and educational services that distinguishes under-developed countries from developed countries.

Generally speaking, basic development is capital consuming and non-revenue-earning in character. Since countries have to find funds from their own internal resources to finance this development, it means, in effect, that under-developed countries have to raise themselves by their own sandal-straps. For such projects they cannot look to an inflow of private foreign capital for relief because that must await the establishment of a "satisfactory" economic climate which basic development alone can provide.

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It is primarily for this reason that under-developed countries emphasise the moral obligation which the more fortunate and advanced countries in the comity of nations should have towards them. Prosperity, like peace, is indivisible in this rapidly contracting world. But the world can be neither prosperous nor peaceful when a large part of mankind is economically depressed. They are, by and large, so poor in resources that they cannot provide by their unaided efforts alone the basic foundation for further development. Except for such occasional aid as the United States is willing to provide in pursuit of the goals of its own foreign economic policy, there are no recognised foreign sources for capital funds to finance development projects of this character. Hence, the common demand by all under-developed countries that it is in the long run interest of advanced countries to finance basic development in under-developed countries. These countries do not seek the charity of the richer countries; they seek their help on a strictly business basis.

Basic development is obviously a condition precedent to further economic advancement. Asian statesmen emphasise the role of foreign capital in basic development. How can the flow of private foreign capital be encouraged? Two parties are involved. There is, first, the foreign investor who has to part with his money. He is naturally anxious about the security of his investment and the prospects of profit; unless these two fears are allayed, he will not part with his money. There is next, the country receiving the investment, whether as a co-partner or as a debtor of the foreign capitalist. Despite the admitted economic advantages flowing from foreign capital, the receiving country is anxious to ensure that the foreign investor is not placed in a position where he can act in a manner detrimental to its national interests.

The problem of foreign investment has thus many facets. One must allow for the legitimate fears of the countries wanting foreign capital, even though these very countries are the first to recognise the need for foreign capital to develop their resources. All the same, it is equally important to appreciate fully the risks which foreign investors are called upon to assume when investing in the countries of this region.

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ment guarantee. Government has also made certain special arrangements for the grant of substantial overseas credits through the Export Credits Guarantee Department financed from Government funds. Thus in 1953 £10 million credit was granted to Pakistan for the purchase of United Kingdom equipment and last year £10 million to Persia for buying supplies in United Kingdom.

So in various ways the United Kingdom is providing substantial funds for overseas development particularly in the Commonwealth, helping to enlarge the total of world trade in both capital and consumer goods.

As regards the dangers of foreign investment, countries in Asia have ample evidence. The remarkable thing is that foreign capital has repeated a broadly similar pattern wherever it gained a footing in this region—regarded up to a few years ago as colonial territory. It is equally remarkable that foreign capital followed a completely different pattern in regions elsewhere, such as, Australia, New Zealand, North America, and the continent of Europe.

The nationals of Asia have a vivid recollection of what happened during the heyday of the foreign investor. It is true that with the ending of colonial regimes, the countries that have gained independence have ceased to be an attractive field for the type of foreign investment which was in vogue when they were dependent territories of metropolitan powers. But in the vast regions of Africa the old pattern of foreign capitalism still flourishes.

The essential feature of this type of foreign investment is the open exploitation of the riches of the country primarily for the benefit of the owners of this capital. They were helped in their quest by the political authority and sympathy of the ruling metropolitan power. The nationals of the country did, of course, derive some economic benefit but that was incidental. Foreign capital opened up the natural resources of the country with the aid of cheap labour, generally indigeneous, but often drawn as well from other colonial territories. Large profits were reaped and repatriated. Foreign capital went into those fields which paid the highest returns to the investors but this did not necessarily imply that they were the fields which served the permanent interests of the country best. For example, production for the metropolitan markets was favoured at the expense of production for the domestic market. And most production consisted of the exploitation of agricultural and mineral resources. Domestic manufacturing was discouraged.

Accordingly, wherever foreign capital flourished in this region, there was a sharp distinction between the sectors developed by the foreign capitalists and the rest of the economy. The former was relatively prosperous and the latter languished in a state of near poverty. But what was worse was the sharp distinction in the developed sector between the wealth and comfort of the non-nationals who managed and controlled the foreign investments and the nationals who worked for them in a subordinate capacity.

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It is wrong to assume from the past experience of these countries that this cleavage between developed and indigenous sectors of the economy, or between the non-competing social classes generated by foreign investment is inevitable. The experience of the other regions like Australia or America belies this. Foreign capital helped to develop these countries considerably more than Asian countries. There is, however, one essential difference. Foreign migration accompanied the flow of foreign capital. The owners of capital gained a population ascendency over the indigenous races of these countries, and eventually reduced them to an insignificant minority.

While past experience should make the Asian countries circumspect about foreign capital, there is for several reasons less ground now to fear foreign capital.

Foreign capital no longer finds political support to exploit investment opportunities to the disadvantage of the independent countries which were formerly dependencies of metropolitan powers. On the contrary, many of these countries have gone to the other extreme of placing restrictions on foreign investment in their eagerness to safeguard their economic independence. Another factor which checks the capacity of a foreign investor in exploiting resources of countries still in a state of political dependency is the awakening of the social and political consciousness of the world as a whole. It is more difficult than before to exploit cheap labour.

All-in-all, at least the independent countries in this region have no reason to distrust foreign capital now that they are political masters of their own houses. It is, therefore, important that they should not allow their past fears to mislead them to policies which will deprive them of foreign capital. However, economic power can, undoubtedly, influence political power. Where economic power in the key sector of the economy rests with foreign capitalists alone or even in association with indigenous capitalists, many may argue that national security is endangered. For this reason, there is often support for the policy that foreign capitalists should be restricted to well-defined sectors of economic activity, where there is less occasion for a conflict of interests to arise. Some countries go so far as to exclude private capitalists altogether, foreign or domestic from certain sectors of the economy.

It is therefore difficult to lay down a hard and fast rule as to the scope of the restrictions, if any, that should be imposed on the entry of foreign capital. It is clear that where the security of a state is involved, then it is essential to impose such restrictions on the operation of foreign capital.

Equally it is the duty of the state in an under-developed country to safeguard reasonably efficient indigenous enterprises against unfair foreign competition, especially because such competition may arise either from the superior advantages of external economies open to foreign enterprises in developed countries or from the unmatched competitive power they may possess as a result of their vast financial resources. But it is equally important to avoid the temptation of protecting inefficient indigenous enterprises. The infant industry argument for protecting nascent enterprises is very sound provided there is a reasonable expectation that the infants will outgrow their infanthood in a reasonable time.

After all the purpose of allowing foreign investment is to secure an increase of national wealth in a country and not to diminish it. Even though the substitution of less efficient indigenous industry by a more efficient industry sponsored by foreign capital would increase national wealth immediately, yet in the longer run it might tend to diminish it by scaring away indigenous capital from new ventures through fear of unchecked competition from foreign capital. Viewed in this light, the need for some restrictions on foreign capital is understandable. But it is quite clear that such restrictions should be reduced to a minimum. Even despite these restrictions, it is quite evident that there would be sufficient scope in an under-developed country for foreign capital to operate profitably.

However, each country must determine what safeguards it should have to protect indigenous capital from unfair competition from foreign capital. The essential thing to remember is that foreign capital cannot be attracted by placing on it irksome restrictions.

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Even where countries are in a position to finance out of their own resources basic development projects, they still find that foreign capital is necessary to speed up expansion in public utilities, land reclamation and irrigation projects and in industry in general. It is frequently not realised what a large capital outlay is necessary to place a single worker in industry. Estimates have ranged as high as U.S. 6,000 dollars per worker or more. Even if we assume a low figure of U.S. 2,000 dollars per worker for the reason

that more labour intensive methods of production will be used because of the relative cheapness of labour in under-developed countries as compared with capital, it will need an outlay of U.S. 200 million dollars to absorb the modest number of 100,000 workers in industry. In the face of the huge outlay, industrial expansion involves, and the no less large outlay needed to finance public utility and multi-purpose agricultural and land reclamation projects, it is self-evident that progress in economic development must remain slow unless a backward country is assisted by a copious flow of foreign capital.

Accordingly, it is in the interest of all under-developed countries to establish a favourable climate to attract foreign capital. In this field there is reason to believe that boldness in action will repay better than over-caution. Measures which these countries should take fall into two groups; the don'ts and the do's. There are certain things a country must refrain from doing and there are certain other things it must set out to do if it wants to attract foreign capital.

Of the don'ts, the first is that there should be no discrimination against the foreign capitalist. He should be asked to participate in developing the country on the same terms as the nationals. Any discriminatory action will be interpreted by foreigners that they are not welcome in the country in which they are asked to invest their capital.

Second, there is the vexed question of control of an investment. If a foreigner has a large stake in the investment, he will naturally expect to have a controlling interest. It is often argued that a foreigner should be allowed to have a minority interest. This is expressed by saying that a foreigner should be allowed to provide only 49 per cent of the capital while the nationals should be required to contribute the rest. There is no special magic in the precise ratio of capital participation. If a country is short of capital, as most under-developed countries are, and if a particular project involves a large capital outlay as most manufacturing and similar projects do, it is common sense that the country will be economically benefited if foreigners supply as large a proportion of the capital as possible. With majority ownership of capital should, of course go the controlling interest.

Foreigners themselves will be anxious to secure some participation by domestic capitalists as they are conscious of the greater security from local intervention which such participation ensures. In the relations with the Government and local interests, the foreign investor will have the assurance that the domestic capitalists associated with the venture will be ranged on his side. It is primarily for this reason that foreign capitalists have displayed an eagerness to associate domestic capital in their ventures.

Third, it is also important that the foreign investor should not be hampered by a stipulation as to the foreign personnel he should employ in technical or fiduciary positions. What is important is that he should be asked to train local personnel while he employs such foreign personnel. It seems to be a practice in vogue to stipulate the maximum periods that key foreign personnel should serve in the country. This may turn out to be a short-sighted policy. So long as positive action is taken by the foreigner to train local personnel (and this can be worked out administratively in a manner mutually acceptable to both parties) it is prudent to take a lenient view towards employment of foreigners in new ventures. If the foreign capitalist has a controlling interest in the venture, it is only natural that he would want some of the key personnel to be of his own nationality. In any case, there should be wide room for compromise without having action restricted by preconceived ideas about ratios of foreign personnel and the maximum lengths of their stay. For it must be remembered that enterprises set up by foreign capital even on these terms with respect to key personnel, will automatically employ all local personnel outside the small category of key personnel.

Fourth, a very liberal and sympathetic attitude towards employment of foreign personnel in new ventures financed by foreign capital is, of course, consistent with a firm attitude towards employment of foreign personnel in old and established foreign concerns. The legitimate complaint that all under-developed countries have against these concerns is their failure, often as an act of deliberate policy, to train local personnel for posts of executive and managerial responsibility. Their very failure to do what their self-interest should have dictated, had they taken a broad view of their responsibilities, is the justification for pressing on with schemes to replace non-nationals by nationals as conveniently as possible. Thus, it is important that the distinction of treatment accorded to employment of foreign personnel on the one hand by new concerns and on the other by established concerns should be sharply drawn and widely publicised. For the same reason, it is equally important that foreign personnel in new ventures should be given binding assurances as to the agreed lengths of their stay.

In all these matters, firmness coupled with a sympathetic and discriminatory attitude in favour of exceptional situations will go a long way to dispel doubts and remove misunderstandings. A mere slavish adherence to rule of thumb methods may cause untold harm by frightening away new investments and by speeding up the outflow of established investments. Even with regard to established investments by foreigners, it is a short-sighted policy to insist on these concerns employing eventually only nationals, because foreigners would naturally want some of their own nationals to be engaged in the enterprises in which they have a substantial financial interest.

Fifth, repatriation of capital including capital appreciation and of profits without any limitation should be freely permitted. In view of currency restrictions in force in most of the under-developed countries, this offer must in effect mean free repatriation to the country of domicile of the investor as well as to any other country of his choice within the same monetary area. A corollary to this condition is that discriminatory exchange practices should be avoided.

Some countries permit inflow of capital at a more favourable rate and outflow of capital and profits at a less favourable rate. Such multiple currency practices must play havoc with any prospects of attracting foreign investment. Avoidance of discriminatory exchange practices does not also mean avoidance of orderly changes in the exchange ratio; e.g. devaluing or appreciating the exchange rate of a country. This is a risk inherent to every investment and under normal conditions, an orderly change in the exchange rate should in no way affect the foreign exchange equivalent at the new rate of the local currency proceeds of the profits or the capital value of the investment.

The do's a Government should assume are largely fiscal in character. The first measure is concerned with non-discriminatory taxation. Both the foreigner and the national should receive at least equal tax treatment; in any case the foreigner should not be worse off than the national in tax payments. But this axiom does not preclude discriminatory taxation of non-resident concerns which choose to operate in the country without locating their respective head offices in the seat of their operations. Both India and Ceylon, for example, tax such non-resident concerns at a slightly higher rate for income tax purposes. The solution is that non-resident concerns should acquire domicile in the country of investment. None-the-less it should be recognised that even a perfectly legitimate tax of this kind is liable to cause misunderstanding and convince the foreign capitalist that his investments are not welcome in the country.

Second, in order to attract foreign capital there is much to be said in favour of the plea that death duties payable by a foreigner should be levied on the basis of his estate in the country of investment and not on the basis of his world estate.

Third, it will be an inducement to foreign investment if a tax concession is accorded to foreign personnel engaged in approved foreign investments in the country. For example, all foreign personnel recruited for a specific term of years with the approval of the appropriate authority may be exempted from income tax. A concession of this kind will reduce the burden of foreign personnel on the operating cost of a new investment.

Fourth, income earned by foreigners by way of royalties on industrial proprietories, special techniques and manufacturing formulae may also be exempted from income tax for a specific period, say, the initial five years of a new investment.

Fifth, a bold and imaginative way of attracting foreign investment is by exempting from income tax profits earned in the initial period of years, say, the first five years. A tax relief of this kind can act as a potent influence in inducing foreign capital to seek investment in the country.

Sixth, it is important to note that foreign investors will benefit from all these tax concessions only to the extent that they are relieved of the overlapping tax feature which stipulates that the foreign investor should pay his home exchequer the difference between the tax in his home country and the rate in the country in which the investment is made. Otherwise, the tax concessions cease to be an incentive because the home exchequer will claim any tax benefits received by the foreign investor.

Last, but not least, the foreign investor should be assured of full and fair compensation in the event of nationalisation of any of his investments. A guarantee against nationalisation cannot, of course, be given nor is such a guarantee necessary to attract foreign capital. But an unqualified assurance of compensation, with an opportunity for arbitration, is essential to allay the legitimate fears of the foreign investor that he may lose his capital by expropriation by the State. A foreign investor will be deterred from risking his capital if he is also not assured that his venture will be secure from nationalisation for a reasonable minimum period. Otherwise he may entertain the fear that Government will step in and take over the investment as soon as it begins to earn a satisfactory profit.

It is one thing to offer the assurances of the kind enumerated; it is another to make them binding. Foreign investors are often shy of the undertakings given by Governments because the past record of broken pledges by Governments elsewhere reminds them of the uncertainty attaching to undertakings relating to foreign investment.

The risks assumed by foreign investors when they invest their capital outside their own country must be recognised, and the fear they entertain about the safety of their investment are, in their view, real and not imaginary. Unlike investment in the home country, investment abroad carries with it several non-commercial risks. They have assumed such proportions in the mind of the foreign investor, that it has become necessary for the state to underwrite these risks. Export credit insurance schemes now sponsored by some of the leading exporting countries of the world belong to this category. Schemes on analogous lines can be adopted to cover long term capital investment.

— JANA (COLOMBO)

FARMING PROBLEMS IN HONGKONG'S NEW TERRITORIES

By W. J. Blackie

(Director of Department of Agriculture)

The fundamental problem of farming in the New Territories is the maintenance of adequate water supplies. Prior to the Pacific war, farmers had sufficient water for normal cropping. Today, as a result of a greatly expanded population and the loss of forest and scrub areas, water for farming has become critical, particularly during periods of drought. Long term measures to control run off and hold up water within the soil are obvious. We must afforest as rapidly as possible catchments and bare hills and protect such forests against destruction. Afforestation is the first essential in any scheme of water control or conservation; without vegetal cover dams and impounding reservoirs work at greatly reduced efficiency. Water streaming over eroded hills carries silt to reservoirs and the farming flats. Other measures to improve water supplies for farming include the straightening and sealing of channel ways, the building of wells and dams and the use of pumps where such are economically possible.

Steps have already been taken to improve water supplies for farming both in accelerating afforestation within the financial means of the Colony and also by the use of Colonial Development & Welfare Funds to construct dams, wells and irrigation channels. The Kadoorie Agricultural Aid Association has given considerable help in this direction by providing large quantities of cement and pumps. The latter under the control of the Department of Agriculture, Fisheries & Forestry have provided farmers with much needed assistance during the drought of 1953 and 1954. The Rotary Club of Kowloon donated pumps for the use of two co-operative societies which are giving excellent service. All these measures including the construction of small impounding reservoirs will in time greatly improve water supplies for farming.

The soils of the Colony are not outstanding in their fertility and are under considerable pressure from intensive cultivation. On the rice lands two crops are harvested followed by catch cropping on a portion of the fallow. There is a tendency to use more of the fallow for this purpose. Vegetable land is continually cropped to a succession of vegetables and without the addition of fertilisers quickly loses its fertility. Farmers make use of traditional fertilisers such as bone meal, meal cakes, ashes, duck feathers, dried powdered animal manure and within recent years (following experimental work) artificial fertilisers.

With artificial fertilisers greatly increased yields of rice can be obtained and in one season the overall increase was conservatively estimated at 20 per cent. Fertilisers are costly for the small farmer and unless the price of paddy is reasonable he cannot afford to use them. The use of nightsoil on vegetable areas is of great service, but here also soils are likely to become run down under intensive pressure unless balanced fertilisers are used. The problem is economic, but more could be done by farmers to cover their costs by making compost on the farms.

Strangely enough Chinese farmers have never adopted the practice of other countries of bedding down their stock in the animal houses and collecting the little periodically for the production of compost. The present practices of burning vegetable refuse to produce ash and drying and powdering animal droppings are wasteful. Fortunately, there is little soil loss from the farming areas by erosion and in this conservation practice both on the hills and flats the Chinese farmer excels. The maintenance of fertility on New Territories' soils is a very real problem which it is hoped will be solved in due course by education and demonstration.

A forward step in helping farmers to purchase fertilisers took place with the establishment of the Joseph Fund and the Kadoorie Agricultural Aid Association has also loaned large sums of money for the purchase of balanced fertilisers in amounts approved by the Department of Agriculture, Fisheries & Forestry. Government is also giving consideration to a scheme for a soil survey which should provide basic data on fertility and management. It is of first importance that every square foot of land should give its maximum return but this must not be at the expense of natural fertility.

Plant pests and diseases cause serious losses from time to time in both rice and vegetable crops. In rice particularly, the appearance of the army worm in 1953, after being absent for a number of years, was the cause of much concern to farmers and the increasing percentage of losses from the rice stem borer has got beyond the stage of acceptance as just one of those things. Lately, also, the giant snail has extended its activities to the Tsun Wan vegetable growing areas and is causing much damage to vegetable crops. There are many other pests which add their quota to farming losses, but the three are the principal offenders. To add to the difficulties already experienced with the late planted first paddy crop severe attacks of rice stem borer occurred in several areas and losses from this cause alone were heavy.

The means of controlling this pest are at hand by the use of tested insecticides, but it is essential that farmers get down to the job of systematic spraying as advised. The Department of Agriculture, Fisheries & Forestry has a small team engaged on the work of testing out insecticides, demonstrating their effectiveness and helping farmers in emergencies. It is, however, impossible for the Department to spray all the rice fields but until that is done the building up of large numbers of insects will continue with increasing losses to crops. It is again a matter of education by demonstration and in time farmers will realise that losses up to 20 per cent of their crop can be prevented by making spraying a routine practice. There is a good deal of evidence particularly in areas where demonstrations have been carried out that rice farmers are catching on and in time the situation will improve.

Vegetable farmers have long been alive to the value of spraying their crops for pests but rice farmers are not keen to purchase sprayers which they maintain will only be used for short periods. Economics also enter the picture; spraying equipment and insecticides cost money. Both the Joseph and Kadoorie Aid Loan Funds are available for loans to farmers for purchasing equipment and insecticides and it is pleasing to note that greater use is now being made for this purpose.

Co-operative activity of Government and farmers is the answer to a greater measure of control of insect pests. Recently I agreed to a proposition put up to me by the Sai Kung Rural Committee that if Government provided a number of sprayers on Sai Kung Station for loan to farmers they would spray the rice fields as directed with insecticides which they would purchase with loans from the two funds.

With regard to the giant snail, which was introduced by the Japanese, successful experiments carried out at Tsun Wan indicate that this pest can be controlled provided the methods recommended are carried out systematically. Crop losses from insect pests throughout the world are enormous and they are in places high in the New Territories. Considerable economic improvement would emerge from more effective control of these crop destroyers.

As with crop diseases, animal wastage from disease adds its quota to lowered farm returns. Hongkong is not unique in this regard and in many ways we are much ahead of many Asian countries in animal disease control and services to farmers. However, to the small farmer it is a calamity to lose one of his two breeding sows from disease or half his chickens from Newcastle Disease, particularly when there are means at hand to give him aid. Rinder-pest in cattle has been brought under control and the recent outbreak of foot and mouth disease appears to have subsided. A good deal of wastage in pig stock of imported breeds has resulted from contagious abortion and swine fever; Newcastle Disease in poultry has caused losses. One of the great difficulties with farmers in the New Territories is that they prefer to try out all kinds of preparations for disease control, including out of date vaccines and doubtful remedies. When these fail they may then think of the Veterinary Surgeon when, of course, it is too late.

It is most important to report diseases to the veterinary expert immediately unusual symptoms arise. In this way the disease can be accurately diagnosed and the proper treatment and dosage with drugs indicated. I am sure farmers will get around to this in time and we are doing all we can in the way of explanation and information. The Department has only recently had the services of qualified veterinary officers associated with it and a small diagnostic laboratory has been set up for service to animal producers. The new Animal Industries Division of the Department of Agriculture, Fisheries & Forestry will ultimately convince farmers that the right approach is the scientific one. In this field also, education and demonstration are important in convincing farmers that a jab with a needle is not the only way of controlling animal diseases. This problem is one of educational approach and efficient extension services.

The control of crop and animal diseases, the maintenance of soil fertility, the provision of adequate water supplies aided by loans and development funds will all add their quota to improved production and better returns. Still higher returns will be achieved by diversification of farming effort and the full use of land. The small vegetable farmer should, when possible, raise pigs and poultry and plant up a few fruit trees. The rice farmer could broaden his economy by using more of his fallow land for the growth of vegetables and sweet potatoes when water supplies allow. He also should raise pigs and poultry and plant up permanent tree crops, such as citrus and also guinea grass for feeding stock on the gentle slopes above the flats. Where suitable conditions allow dry land crops such as peanuts and sweet potatoes could be grown on the red hill soils with advantage to the farmer's pocket.

These ideas are being promulgated through the extension services of the Department and with the aid of the Kadoorie Agricultural Aid Association much has already been achieved. Many village pig units have been established throughout the Colony and more recently several village orchards have been planted up. The goal for next year is 100 such orchards which will provide, in due course, a steady source of income for the villages concerned.

The aim of the Department is to build up slowly and surely the returns from farming, be it in cash or in produce for home consumption. This can be done within the capacity of the farming unit by greater production on existing areas by using better seed and fertilisers, the control of diseases and pests, improved irrigation and diversification of the farming effort.

One further important source of income is the raising of fish by pond culture. With such ventures duck raising can be associated with advantage. Already the Fisheries Division has extended pond raising of fish in the New Territories aided in some cases by loan money from the Kadoorie Agricultural Aid Association and plans are being formulated for the expansion of these ventures.

These are but a few of the problems which face the farmer in the New Territories and Government services set up for his assistance. Space does not allow me to discuss such problems as feed for livestock raising, roads and com-

THE NATIONAL MINORITIES IN CHINA

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PART II

4. Implementation of "Regional Autonomy"

In order to understand the significance of the autonomous regions in Communist China, it is necessary to know something of China's past and present political geography. Under the National Government (Kuomintang) no autonomous regions were created for minority peoples, and this is one of the specifications to the charge of Chinese chauvinism which the Communists frequently level against the Nationalists. On the contrary, the National Government after 1928 divided Inner Mongolia into three provinces (Chahar, Suiyuan, and Ningsia) and Eastern Tibet into two (Tsinghai and Sikang), thereby tending to divide up the Mongols and Tibetans and render them amenable to central control. The minorities of South and Southwest China of course lived under the jurisdiction of the provincial authorities in those areas. Western Tibet was not under Chinese control, Sinkiang was under a virtually independent warlord, Manchuria was under Japanese control from 1932 to 1945, and Outer Mongolia was (and is) a Soviet satellite state entirely independent of China.

Despite their denunciation of Nationalist policy toward the minorities, the Communists have so far done surprisingly little to remedy the administrative splitting up of minority groups just referred to. Until the summer of 1954, when the Regional Governments were abolished, and with the exceptions to be indicated later, the major administrative subdivisions of Communist China were the following: the Northeast Regional Government (most of Manchuria plus Jehol), the Northwest Regional Government (Sinkiang Tsinghai, Kansu, Shensi, and Ningsia), the North China Administrative Region (Suiyuan, Chahar, Hopei, and Shansi), the East China Regional Government (Honan, Hupei, Hunan, Kiangsi, Kwangtung, and Kwangsi), the Southwest Regional Government (Yunnan, Kweichow, Szechuan, and Sikang), the Inner Mongolia Autonomous Region (western Manchuria plus parts of Chahar and Jehol), and Western Tibet (a special case).

This arrangement left the Mongols divided among the Northeast, Inner Mongolia, North, and Northwest regions; and the Tibetans divided among Western Tibet, the Southwest, and the Northwest, to mention only two of the most important and widely dispersed minorities. Other minorities, more compactly located and less potentially troublesome, are somewhat less divided. The impression conveyed by this broad survey of Communist China's administrative geography—that the authorities are anxious to avoid assembling the national minorities into large administrative units—is borne out by an examination of administrative geography at the lower levels, for the "autonomous regions" are numerous and generally small.

It would be difficult, tedious, and unnecessary to enumerate all the proliferating autonomous regions in Communist China, and any list which was complete at a given time would soon be obsolete. By the end of 1953 more than 100 "minority nationalities autonomous areas" and over 200 "democratic coalition governments" had been created. Many of these were evidently at a low administrative level, for in August 1954 it was announced that 58 autonomous regions had been set up at the county (hsien) level or higher. Roughly ten million persons of minority nationality inhabited these regions.

By far the largest, oldest, and most important of the autonomous regions is the Inner Mongolia Autonomous Region, which as we have seen is far from including all the Mongols in China and contains only a small part of the area usually thought of as Inner Mongolia. Its area is generally given as 600,000 square kilometers, and its population as 2,400,000 (only one-third of them Mongols). It was formally established, with its capital at Ulanhot, in May 1947. Early in 1950 the capital was moved to Kalgan, and then to Huhehot in July 1952, where it remains; thus the last two capitals have been situated outside the borders of the Autonomous Region, a rather anomalous situation.

The Inner Mongolia Autonomous Region is unique among the autonomous regions of Communist China in being directly subordinate to the central government, rather than to some lower echelon as is the case with the others. Ulanfu stands at the head of all three of the chains of command—party, government, army: he is Chairman of the Inner Mongolia Autonomous Region People's Government, Secretary to the Inner Mongolia-Suiyuan Sub-Bureau of the Central Committee of the Chinese Communist Party, and Commander and Chief Commissar of the Inner Mongolia Military District. All other officers of the Inner Mongolian Sub-Bureau of the Central Committee, however, are Chinese (or were in 1952); the Vice Chairman and Secretary General to the People's Government, and seven of the eighteen members of the People's Government, are Chinese. So are other important officials, including seven of the eleven members of the People's Supervisory Committee, which supervises the workings of the bureaucracy.

In July 1952 Ulanfu added to his numerous posts that of governor of Suiyuan, a province where there is a Mongol as well as a large Chinese population, and one where the antagonism between the two races has been especially bitter. This was apparently a further step in the process of consolidation of certain Mongol-inhabited areas begun in August 1950, when three areas populated largely by Mongols had been transferred from Chahar to the Inner Mongolia Autonomous Region. Chahar itself was broken up in November 1952 and divided between Shansi and Hopei—a backward

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munications, the glutting of markets with farm produce from mainland sources and the like.

The Chinese farmer has few rivals in getting the most out of a little and with sympathy, understanding and assistance he will get above his problems. He is keen and hardworking and if convinced that a new idea is sound he will quickly adopt it. In fact he has the same outlook as farmers the world over; he must be convinced that a new idea is sound. A conservative outlook is essential in the art of farming. Changes when they come must be thoroughly tested out before they become farming practice.

step, evidently. Changes in the administrative status of Suiyuan appear to have been delayed out of consideration for Minister of Water Conservancy Fu Tso-yi, a formerly powerful general who had been allowed a great deal of freedom in Suiyuan under the Kuomintang.

On January 11, 1954, Su Chien-yi, Deputy Secretary to the Inner Mongolia-Suiyuan Sub-Bureau of the Central Committee of the Chinese Communist Party, proposed to the First Suiyuan Provincial People's Congress that the province be amalgamated with the Inner Mongolia Autonomous Region. The proposal was unanimously adopted and was approved by the Government Administration Council. In the course of his speech advocating this merger, Su made a puzzling reference to a matter which is mentioned in other Chinese Communist sources, but is never fully explained. He stated that the delegates to the Congress fully realized that "the irrational form of political power left over from history, i.e. co-existence of banner (a Mongol tribal grouping) and hsien in Suiyuan and the traditional disputes between peasants and herdsmen are creating many difficulties in further strengthening the unity of nationalities and in further developing construction work." This cryptic remark could foreshadow a curtailment either in the number of hsien or in the number of banners; in any case, it indicates clearly that even under a Communist regime the various nationalities are not always "fraternal" in their relations with one another. Su's further statement that the merger of Suiyuan and the Inner Mongolia Autonomous Region "will further facilitate . . . . . building the base of heavy industry in Paotow and other construction, and the further development of agricultural production . . . ." and the fact that at the same time the Government Administration Council abolished regional autonomy in the Ikechao and Ulanchap Leagues in Suiyuan and reduced their Autonomous Districts to the rank of People's Governments, seem to indicate that Mongol pastoralism is giving way before the pressure of Chinese agricultural colonization and industrial expansion.

Since the Northeast (Manchuria) appears to contain no important autonomous regions, apart from the Yenpien Korean Autonomous Area near the Korean frontier, founded in 1952, we turn next to the Northwest. By the summer of 1954 at least 14 autonomous regions of county rank or below had been established in Sinkiang. Among them were a Mongol area in central Sinkiang, and a Moslem (Hui) area northwest of Urumchi. All of these included substantial blocs of other nationalities; the last mentioned, for example, was only 37 per cent Moslem and included ten other nationalities, such as Kazakhs, Uighurs, and Mongols. In spite of the establishment of these regions, regional autonomy has been established relatively slowly in Sinkiang as compared with other areas, partly because of the complexity of the ethnic situation there and perhaps also because of the existence of important Soviet economic concessions in the area. Ningsia contains a Mongol autonomous area, and Kansu a Tibetan area in the south and a Moslem area in the east. By the end of 1954 regional autonomy was said to have been implemented in all the minority districts of Tsinghai; 13 of them were of county rank or above.

Western Tibet, which had been independent of China since the fall of the Manchu dynasty in 1911, was brought within the Chinese orbit once more by a Chinese Communist invasion which began in October 1950. On May 23, 1951, the Tibetan authorities signed an agreement with Chinese Communist representatives providing for Tibetan "national autonomy under the unified leadership of the Central People's Government." Peking pledged itself not to alter "the existing political system of Tibet." Lamaism and the lamaseries were to be respected. The prerogatives of the Dalai Lama were not to be impaired, but he was compelled to acknowledge the equal status of the pro-Chinese Panchen Lama, who was then in Tsinghai. Peking was to assume the responsibility of conducting the foreign relations of Tibet, and the Tibetan armed forces were to be incorporated into the People's Liberation Army.

This process of consolidation has proceeded steadily, although apparently not without resentment and even some resistance on the part of the Tibetans. In February 1952 the Tibet Military District of the People's Liberation Army was established, with the Chinese general Chang Kuo-hua (who already commanded PLA units in Tibet) as its commander. In March 1955 the State Council appointed a committee to prepare for Tibetan autonomy, under the nominal chairmanship of the Dalai Lama; the vice chairmen were the Panchen Lama and Chang Kuo-hua, and the secretary general was Ngabou Ngawang Jigme, an erstwhile defender of Tibet against the People's Liberation Army who has been described as a "clever politician, good administrator and bad soldier."

It is quite certain that Peking expects Tibet to follow its leadership. In February 1953, at a ceremony celebrating the opening of the Peking office of the Dalai Lama, the official in charge of the office (a Tibetan) urged his subordinates to "devote themselves to their work under the leadership of the Chinese Communist Party and the Central People's Government." Shortly afterwards Leosha Thubtentarpa, leader of one of the numerous delegations which have visited Peking, stated that "The new Tibet is an integral part of our mighty motherland . . . . I have been to many lamaseries to burn incense. By my action, I have exploded the story that 'the Communist Party undermines religion.'" It is interesting that he was apparently unable to cite any evidence of freedom of religion in Tibet other than the freedom to burn incense. In the summer of 1953 another Tibetan delegation came to Peking and paid their respects to Mao Tse-tung, who "gave them guidance concerning the questions of freedom of religious belief, land redistribution and the economic and cultural development of Tibet."

Apart from Western Tibet, there are of course Tibetans living in Sikiang and other areas formerly under the jurisdiction of the Southwest Regional Government. In November 1950 a Tibetan Autonomous Region was inaugurated with its capital at Tatsienlu. It included 20 of the 49 counties subordinate to the Sikang Provincial People's Government, to which it was directly responsible. Its population amounted to some 700,000, of whom about four-fifths were Tibetans and the remainder Chinese and members of the Yi nationality. The Chairman was T'ien-pao (Tibetan name: Sans-rgyas-ye-shes), a veteran Communist who had joined the Red Army at the time of the Long March (1935). Early in 1955 the administrative status of the region was changed to that of a chou, apparently a demotion. T'ien-pao is also Chairman of a Tibetan Autonomous Area People's Government comprising 6 counties in northwest Szechuan, inaugurated in December 1952. His views on Tibet's relationship to China were set forth in a speech, apparently delivered in 1949 and reprinted in a biographical sketch published in 1950. He accused Great Britain, the United States, and India of aggression against Tibet, beginning in the early 19th century and continuing up to the present time. Tibet, according to him, is an integral part of China, and its people must therefore work closely with the Chinese and follow the leadership of the Chinese Communist Party.

The Tibetan autonomous regions are by no means the only ones in the Southwest region, which contains about 18 million members of minority nationalities. In 1952 alone a total of 65 autonomous areas and 172 "democratic-coalition" governments were established in various parts of the region. In January 1953 the Thai Nationality Autonomous Area, which appears to be the most important of the autonomous

areas in the Southwest, was established in southwest Yunnan, near the Burmese frontier; it contains an area of about 20,000 square kilometers and embraces some 200,000 persons of 47 nationalities. Another important area was established in Yunnan along the Salween River in August 1954; of the 12 nationalities making up the total population of 120,000, the most numerous are the Lisu, who account for 75 per cent of the total.

The Central-South region also contains a large minority population. By March of 1954, 16 autonomous areas of district rank or above had been set up throughout the region, the largest being the Ch'uang Autonomous Area in west Kwangsi, with a population of more than five million. Among the others was an autonomous area for the Li and Miao minorities on the island of Hainan, which is subordinate to the Kwangtung People's Government.

There appear to be no large or important autonomous areas in the East China region.

5. *Centralizing Forces*

We have already seen that beneath the surface of local autonomy there exist powerful countervailing forces which tend to guard the unitary and highly centralized character of the Chinese Communist state. It may be useful at this point to define these forces more clearly.

The first is a strong tendency toward Chinese domination over the minority peoples. The boundaries of the Regional Governments (now abolished) and provinces have been drawn in such a way as to split up some of the largest minority groups, notably the Mongols and Tibetans, and to assure Chinese control at least as low as the provincial level. As a case in point Walter Kolarz, the British authority on nationality problems, points out that the merging of Suiyuan, with its large Chinese majority, with the Inner Mongolia Autonomous Region is probably designed to help assure Chinese dominance in the latter. It will be recalled that it was a Chinese Communist official who made the formal proposal that this amalgamation be effected. The location of the last two of the three capitals of the Inner Mongolia Autonomous Region outside its territory, in areas under direct Chinese Communist control, also points in the same direction. It is significant that the Inner Mongolia Autonomous Region is the only one of the autonomous areas—apart from Western Tibet, for which "autonomy" is being prepared—which is not already under the jurisdiction of one of the Chinese-controlled provincial governments. Finally, by the autumn of 1953 over 200 "democratic-coalition governments" (regimes for areas with mixed Chinese and minority populations) had been established throughout China, as against 100-odd "autonomous regions."

The second centralizing force to be noted, and perhaps the most important of all, is the Chinese Communist Party itself. A Mongol, Kazakh, Tibetan, or Thai has no Communist Party of his own nationality; if he wishes to become a Communist, he must join the Chinese Communist Party, whose leadership is for all practical purposes exclusively Chinese. Officials of the regional bureaus and sub-bureaus of the Chinese Communist Party, many of them of Chinese rather than of minority nationality, are prominent in the larger autonomous governments, to which they presumably transmit directives formulated in Peking. There are many small pieces of circumstantial evidence which point to the conclusion that all important decisions and announcements on matters of policy are made in Peking; Su Chien-yi, for example, proposed the amalgamation of Suiyuan with the Inner Mongolia Autonomous Region of January 11, 1954, but the news was not announced until it was released simultaneously in Huhehot and Peking on February 27, one month after the Government Administration Council had given its approval.

The third centralizing force is the structure and policies of the Central People's Government, whose undoubted leadership as we have seen has been repeatedly acknowledged by prominent leaders of the national minorities. Early in 1951 the Central People's Government sent two "comfort missions," one under Vice Chairman Liu Ko-p'ing of the Commission on Nationalities Affairs, to the minorities of the Southwest; and the other under Shen Chun-ju, a prominent non-Communist jurist, to the minorities of the Northwest. The objectives of these missions were apparently to explain the minority policy of the central government to the peoples concerned, gain greater understanding of the minority problem, and make arrangements for the setting up of minority cadre training institutes. Following these missions, a Central Institute on National Minorities was established in Peking on June 11, 1951, for the training of military and administrative cadres to work in the minority areas. Since a large proportion of the students were Chinese, Tibetan and other minority languages were among the subjects taught. The 8 month program included nine required courses: the history of China, Chinese social conditions, nationalities policy and problems, the Common Program, history and organization of the Chinese Communist Party, study of the People's Liberation Army, history of social evolution, the "revolutionary view of life," and current political affairs. Students were also expected to "ardently participate in the movement for donation of planes and heavy arms in support of the Chinese People's Volunteers (in Korea), and (to) affix their signatures to the declaration demanding a 5-power peace pact." Similar institutes were established in the Central-South region, at Tatsienlu in Sikang, and probably in other areas as well. It is the cadres graduated from institutions such as these, of course, who implement the policies of party and government at the local level.

Among these policies are the various drives and campaigns which the Central People's Government launches from time to time, for reasons of its own, and which invariably reach even into the remotest "autonomous region." A good example is the Resist America Aid Korea campaign of 1951. In November of that year a group of Kazakhs in Tsinghai, who had stayed behind when some of their compatriots, whose experiences will be described below, fled to Kashmir, wrote to Chairman Mao: "We will contribute our extra earnings from hunting to buy planes and artillery pieces for our volunteers who are fighting in Korea to defend our motherland and our happy life." At the same time, while famine conditions were admittedly prevailing in Inner Mongolia, the people of the Inner Mongolia Autonomous Region "donated" more than 34,000 million yuan (47 per cent more than their quota), 30,000 catties (15,000 kilograms) of shredded meat, and 12,000 sheep to the campaign.

The national minorities of China are almost certain to be affected by the tendency of the Chinese Communist governmental system, always highly centralized, to grow more so. The abolition of the regional governments in the summer of 1954, which has been universally interpreted as a measure of further centralization, has brought the provinces under the direct control of the central government.

The fourth major centralizing force in the relation of the central government to the nationalities is the mass organizations and mass movements which extend from Peking into every corner of Communist China. In addition to well known mass organizations such as the Sino-Soviet Friendship Association, there are certain others which concern them-

selves primarily with the affairs of the national minorities. Perhaps the most important of these is the China Islamic Association, founded in Peking on May 11, 1953. Ten nationalities (Hui, Uighurs, Kazakhs, Tartars, Khalkhas, Tadzhiks, Tunghsiang, Sala, Paoan, and Kirghiz) were represented by 111 delegates from "peace partisans and democrats of the Islamic faith throughout the country" who were present on the occasion of its founding. Burhan, who had been chairman of the preparatory committee, was also elected Chairman of the association.

The fifth force is that of interlocking leadership. It is common for important provincial or regional officials also to hold posts at the central level, whether in the government or in the party. This helps to ensure continuity of policy and administration among the various levels. Perhaps the most striking specimen of this species is Ulanfu, who as we have seen is not only at the head of the party, government, and military hierarchies of the Inner Mongolia Autonomous Region, but is also Chairman of the Commission on Nationalities Affairs of the State Council (cabinet) and an alternate member of the Central Committee of the Chinese Communist Party. The same official may also hold important posts in more than one province or region: Ulanfu was also Chairman of the Suiyuan Provincial People's Government from the middle of 1952 until its amalgamation with his principal satrapy, the Inner Mongolia Autonomous Region, at the beginning of 1954; T'ien-pao has been (and apparently still is) Chairman of two separate Tibetan Region Autonomous Governments in Sikang and Szechuan.

The sixth force, an extremely important one, is that of economic development. We have seen that Chinese Communist sources repeatedly refer to the unified nature of economic policy and planning. The State Planning Committee under Chairman Li Fu-ch'un, which draws up plans for all of China, resembles all the important organs of the Central People's Government in being entirely dominated at the top level by Chinese, to the exclusion of the minorities.

Although Article 36 of the Agrarian Reform Law of 1950 states that 'This law shall not apply to areas of minority nationalities," land reform, including redistribution of livestock in pastoral areas as well as of land in agricultural areas, has been to a large extent put into effect in the minority regions. Land reform in Sinkiang, for example, had been completed by 1953. Land and livestock were redistributed among poor peasants and herdsmen in the Inner Mongolia Autonomous Region after its establishment in 1947. There was a serious famine in several parts of the Region in 1948, as a result of which the total number of livestock in the Hulunbuir League dropped from 600,000 at the time of "Liberation" to 200,000. This disaster is attributed by implication to disease, but it seems highly probable that it was due at least in part to the redistribution program of the government. In 1928-32, livestock in the Soviet Union dropped from 277 million to 123 million, very largely because of the owners' unwillingness to see their animals become the property of the collectives.

Since about 1951 the minority areas, like the rest of China, have been subjected to agricultural "cooperativization," or in other words a policy of creeping collectivization, as well as to compulsory purchase by the state of "surplus" grain.

The Chinese Communist program of industrialization is making its effects felt in the minority areas, especially the Northwest, which is scheduled to become someday an industrial base even greater than Manchuria is now. It is of course possible that in the long run industrialization may bring substantial benefits to the people of China in general, and the national minorities in particular, but the technical backwardness of the latter make it certain that for some time to come they can participate in the process only in the role of unskilled or semi-skilled labor, with correspondingly few material rewards.

Seventh among the ties that bind the minorities to Peking is the cultural force. The Institute of Linguistics and Philology of the Academy of Sciences has been active in working out written languages for certain minorities which did not have them before. This in itself is a good thing, but it is difficult not to see a connection between this program and the large-scale translation and publication of the works of Mao Tse-tung and other Communist writings in the minority languages, especially Mongolian, Tibetan, Uighur, and Kazakh. This has been a principal task of the Nationalities Publishing House, established jointly by the Commission on Nationalities Affairs and the Publications Administration of the Government Administration Council in January 1953. There is no evidence that literature which is not Communist in authorship, sympathy, or inspiration is allowed to circulate openly in the minority areas.

The eighth force is the military one. Although the national minority areas are theoretically allowed to organize their own "local security forces and militia within the unified military system of the state" (General Programme, Art. 22), any such forces which actually exist appear to be under the control either of the provincial authorities or of the Ministry of Public Security in Peking. Real military power in the minority areas, as elsewhere in mainland China, is exercised by units of the People's Liberation Army (which includes land, sea, and air forces). The PLA, as we have already seen, maintains Military Districts in the Inner Mongolia Autonomous Region and in Western Tibet, as well as in the provinces of China Proper.

Communist China is beginning to form a nationwide conscript army. Article 2 of the Conscription Law, published in draft form on February 15, 1955, provides that "All male citizens of the People's Republic of China reaching the full age of 18, regardless of nationality, race, occupation, social status, religious belief, or educational background, have the duty of performing military service as required by this law." It is clear from this language that the law will apply to the minorities, to the extent which Peking considers it necessary and advisable, and that as in the past military service will form one of the strongest ties linking the outlying parts of China with the center.

6. *Some Case Studies in "Regional Autonomy"*

The evidence presented so far in this paper is based on interpretations of Chinese Communist sources, and if it is distorted it therefore probably errs on the side of an excessively favorable portrayal of Chinese Communist minority policy. We turn next to examine a few sidelights on the policy cast by non-Communist sources.

Undoubtedly the most dramatic is the story of the Kazakh refugees from Sinkiang, whose story has been told recently by a British journalist who visited some of the survivors in Turkey, where some of them now live, and by an American student who visited them earlier when they were still in Kashmir. The following account is based largely on the former source.

Among the 160,000 refugees from various Communist countries now living in Turkey are about 2,000 Kazakhs from Sinkiang. Some left Sinkiang when it first came under Soviet influence about 1933; others had fled to India in 1936 to escape from the pro-Soviet governor of Sinkiang, Sheng Shih-ts'ai. The remainder are Kirei Kazakhs, whose original habitat was in the area between the Altai and T'ien Shan mountains; their leaders prefer the term East Tur-

kestan for their homeland instead of the Chinese name Sinkiang, and believe that except for Soviet intervention in the area they could have formed an independent state after the end of the Second World War.

In the autumn of 1949, when both the pro-Soviet leaders of the Ili movement in western Sinkiang and the Kuomintang provincial authorities went over to the Chinese Communists, most of the Uighur population of Sinkiang submitted to Peking also. Several leaders of the more warlike Kazakhs, however, who felt no love for the Communists and were presumably suspected by them of "narrow nationalism" and lack of appreciation for "the happy life of Socialism," decided on resistance; among them were the well known chiefs Osman Bator (or Usman Bator) and Janim Khan. For about a year they waged a guerilla war against the Chinese Communists in northern Sinkiang, but superior weapons and numbers finally drove them southward through the very barren Kurugh Tau mountains into the Taklamakan Desert, the driest in the world, where they suffered terrible hardships. About 6,000 of them succeeded in reaching Gezkul, near the border between Sinkiang and Tsinghai, in the winter of 1950-51.

On February 1, 1951, Chinese Communist troops launched a surprise attack against them from all sides. Janim Khan was captured, tortured, and finally executed publicly in Urumchi. Osman Bator was also captured. According to the Kazakh account, he was taken while trying to rescue his 17 year-old daughter; the Chinese Communist version is that he was captured by an "army cultural instructor" and an army cook, who pursued him on horseback. In either case, a "confession" was issued in his name implicating him in various crimes, including conspiracy with American "imperialist" consular officials in Sinkiang. He was then tried in Urumchi before a People's Court presided over by Burhan, with a crowd of 80,000 howling for his blood. He was executed on April 29, together with four Chinese accused of murdering, nearly ten years earlier, several Chinese Communists working in Sinkiang, including a brother of Mao Tse-tung.

Meanwhile the 50,000 surviving Kazakhs—men, women, and children—with their flocks had set out in small groups, attacked from the air and pursued by troops of the People's Liberation Army. At the Kashmir frontier they were halted by Indian border guards, who at first refused to admit them. After a delay of fifty-two days, however, one of their compatriots who was already in Kashmir succeeded in persuading Premier Nehru to order their admittance. By the time the order reached the frontier the guards had already begun to let the fugitives in, for Chinese Communist troops had captured some of them and beheaded them within sight of the guards.

From Kashmir the survivors eventually made their way to Turkey. According to their account, other Kazakhs remaining in Sinkiang were fighting the Chinese Communists at least as late as September 1953.

In the spring of 1955 five Thai residents of the Thai Nationality Autonomous Area in Yunnan escaped to Thailand and gave their version of what life is like in an "autonomous region." According to their account, the tribal rulers have been deposed, and the land redistributed among the people. The latter, however, are required to turn over 70 per cent of their rice crop to the state for the use of the People's Liberation Army and the Viet Minh forces in North Viet Nam. All consumer goods are strictly rationed. Freedom of speech is not allowed, and the two newspapers published in the region carry only official propaganda.

7. *Soviet Nationalities Policy*

We have seen that the Chinese Communists claim to base their nationalities policy on that of the Soviet Union, and it is pertinent therefore to compare these two policies briefly.

After the Bolshevik Revolution of 1917 the direction of Soviet nationalities policy passed into the hands of Stalin in his capacity of People's Commissar of Nationalities Affairs. Early in 1921 he wrote that, while he conceded the "inalienable right" of the minorities to secede from Russia, "The interests of the masses of the people dictate that the demand of outlying districts to secede at a given stage of the revolution is highly counterrevolutionary." His stubborn opposition to federalism, however, was to some extent overcome by counterpressures, with the result that the Soviet constitution of 1923 granted the Union (or Soviet) Republics, the largest subdivisions of the Soviet Union, the right to secede (Sec. 41), with the consent of all the other Union Republics (Sec. 6). The constitution of 1936, which is still in force, retains the right of Union Republics (of which there are now sixteen) to secede, except that any attempt to do so may be vetoed by a two-thirds vote of both houses of the Supreme Soviet (Sec. 15). The constitutions of the Union Republics themselves, however, make no mention of their right of secession from the Soviet Union, which also has the sole power to create autonomous areas of all ranks.

The effects of Soviet rule on the non-Russian peoples of Eastern Siberia and the Soviet Far East have been summarized by Kolarz as follows:

1. Industrialization and de-tribalisation which is linked with migration of natives to big urban centres.
2. Destruction of the native economy through state interference such as the fostering of class struggle and the confiscation of cattle.
3. Mass colonization of "national territories" by Europeans.
4. "Liquidation" of the native upper class and of the intellectual elite.
5. Persecution of religious beliefs peculiar to minority nationalities.
6. Prohibition of cultural and political integration of kindred tribes and nationalities.
7. Imposition of an alien ideology, of a foreign language and culture.
8. Suppression of historical and cultural traditions which are essential to the survival of the national consciousness of a given ethnic group.

It is phenomena such as these which must be borne in mind when evaluating the Chinese Communist statement, already quoted, that "the present in the Soviet Union is the future for us."

In reply to the common argument that Soviet nationalities policy at least assures economic development of previously backward areas, Kolarz disclaims any desire to:

> belittle or to deny any of the material achievements carried out by the Soviet Government in territories inhabited by non-Russian nationalities. I take them for granted as the basis of discussion. My contention is, however, that the essence of a colonial policy and of the political system of which it is a part cannot be estimated by reference solely to material achievements. The Dnieper Dam no more indicates that the Ukrainian problem has been solved than Hitler's motor highways indicated any virtue in German Nazism.

In summary, Communist China today is constitutionally speaking, even more of a unitary state than is the Soviet Union, since the latter's Union Republics retain at least the nominal right to secede whereas no such right is conceded

to the "autonomous regions" in China. Apart from that, the nationalities policies of the two countries display a marked similarity, especially in the tendency for Russian and Chinese dominance to deprive the minority peoples of all authority except, to some extent, in the field of local languages and customs.

8. Conclusion: the Nature of "Autonomy" in Communist China

It is now time to distil from the evidence which has been presented a brief description of "regional autonomy" as it is practised in Communist China. We have seen that the minorities are considered to be backward as compared with the Chinese, and that they are subject to a corresponding degree of Chinese domination. Autonomy, which is granted to the minorities but not to the Chinese, therefore appears as a badge of inferiority rather than as a right or privilege. It connotes no right to secede from the Chinese Communist state, of which the minority areas are proclaimed to be an integral part. The latter must foster unity between themselves and the rest of the state, must follow the leadership of the Central People's Government and the Chinese Communist Party, and must practise "democratic centralism." The minorities are bound by the provisions of the Common Program. All special regulations promulgated by the government of an autonomous region must be approved by the two levels above it. The unified financial, economic, and military systems of the central government override any local arrangements in these fields. In fact, apart from the freedom to enjoy their own languages, religions, and cultures, at least for the time being, virtually the only freedom left to the national minorities of Communist China is the freedom to obey. Unless words have lost their meaning, this is no autonomy at all.

It is clear that more than one interpretation can be given to the statement by a Mongol member of the Commission on Nationalities Affairs, that "The practice of autonomy has shown that it is the key to solving China's national question." In fact, the hollowness of "autonomy" in Communist China is sometimes officially admitted, at least by indirection. On one occasion, for example, Li Wei-han listed a number of questions which are frequently asked, and which according to him "tend to hinder a smooth implementation of the policy of regional autonomy." Among them were:

> Why can't regional autonomy be based on the proportion of the people of national minorities in the total population of a given area? Is it necessary to practise regional autonomy in national minority areas where the administrative status is of the basic level? . . .
>
> Why must regional autonomy be practised under the leadership of the people's government of higher levels and not independently? . . . Why should national equality be the accepted government policy within an autonomous region, why can't the nationalities exercising regional autonomy administer their own affairs? . . .

He gave no answer to these questions.

(END)

TOKYO'S NEW AIRPORT AND AVIATION COMPANIES

The Y950,000,000 newly-completed air terminal building at Haneda, built by the Japan Air Terminal Building Co., Ltd., is outstanding among all terminals. Three points are outstanding in the general design and construction of the building. The first is that the cost has been the most economical of any building of this kind. Second, the design is such that an easy and natural flow of passengers and cargo is effected within the terminal. Third, consideration for future expansion has been taken into account. It is so designed that any one of the different sections may be easily expanded independently of the others. For this reason, the freight terminal is built separately from the main building.

The departing passenger is led along the flowline from the ticket counter to the waiting lobby, the souvenir shops, the customs, the quarantine, the immigration office, the passenger waiting room, and the plane to leave. The arriving passenger passes through quarantine, immigration office, bank, the customs, the lobby and baggage claim room. Entrance and exit frontages are established separately to avoid congestion of passengers. Baggage is handled immediately from arrival, being carried from the ticket counter down a chute through an underground conveyor trench to the customs.

All this has been designed to fully attain the same effect as the double floor entrance system, typical of air terminals in the United States. The first floor is partly assigned for the ground operations offices of the airlines on the apron side, and an employees' office on the front side. The second floor is divided into two sections with a lobby in the center. The right section is for airline offices and the left for a dining room, a coffee shop, VIP waiting rooms, toilets, etc. The third floor is used by government offices in the right section and by the press room, the television and radio operation stations in the left section. The office of the Japan Air Terminal Building is located in the center. Facilities for visitors and spectators which include a coffee shop, a light lunch room and souvenir shops are found on the roof.

Twelve international air carriers now using the New Terminal Building are Air France, Air-India International, British Overseas Airways Corporation, Civil Air Transport, Canadian Pacific Air Lines, Japan Air Lines, KLM Royal Dutch Airlines, Northwest Orient Airlines, Pan American World Airways, Qantas Empire Airways, Scandinavian Airlines System and Thai Airways Company.

Japan has concluded bilateral air agreements with the Republic of China, Canada, Denmark, England, the Netherlands, Norway, Sweden, Thailand and the United States. The Japanese Government initiated agreements with India and France recently. Negotiations are under way to conclude agreements with Vietnam, Brazil, Belgium and Pakistan.

Four airlines in the United States maintain their permanent offices in Tokyo. They are Pan American Airlines, Northwest Airlines, Trans World Airlines and United Air Lines. As a non-scheduled airline, Transocean Air Lines has a permanent office in Tokyo, engaging in military contract airlifts and charter airlift.

Japan Air Lines, the national flag carrier of Japan, has made an amazing progress in the field of international aviation in the past three years. Japan Air Lines is now

operating three services weekly to San Francisco via Honolulu and to Hongkong via Okinawa with Douglas DC-6B aircraft. JAL is also operating daily services to Fukuoka via Osaka and to Sapporo. Northwest Orient Airlines, (NWA), the second oldest carrier in the United States, began operation on October 1, 1926, and its route expansion has been developed over the past years from a small mid-western regional carrier into one of the world's major international and domestic airlines. NWA is now operating four trans-Pacific services between Tokyo and Seattle by Turbo Constellations, three services between Manila and Tokyo via Okinawa by Turbo Constellations, three services between Seoul and Tokyo and one weekly service between Tokyo and Pusan by DC-4 Skymasters. Pan American World Airways, Inc., PAA, is one of the largest car carriers of the world today. Pan American serves 155 cities and points in the six continents with Boeing Strato-Clippers, Lockheed Constellations, Douglas DC-4's and other types of aircraft. The frequency between Tokyo and San Francisco and Los Angeles is now being operated by Boeing Strato-Clippers in each direction. British Overseas Airways Corporation, BOAC, national carrier of Great Britain, serves 90 cities in 66 countries in the world today. BOAC is operating two first-class services in a week and between Tokyo and London via Hongkong by Lockheed Constellation in addition to the twice-a-week tourist-class services by Argonaut aircraft between the United Kingdom and the Far East. The first-class service operated by the Lockheed Constellation is entitled, "Majestic," while the tourist-class service is called "Coronet."

Canadian Pacific Air Lines, CPAL, is now ready to inaugurate a weekly transpolar service between Amsterdam and Vancouver with Douglas DC-6B aircraft. The flight originating in Amsterdam across the polar region will fly to Sydney via Vancouver, Honolulu and the Fiji Islands. It can provide direct connections with twice-a-week service to Tokyo and Lima City, at Vancouver. Canadian Pacific Air Lines is expected to extend its weekly Hongkong-Tokyo-Vancouver-Lima services to Buenos Aires shortly. The Australian Government-owned Qantas Empire Airways, Ltd., is now maintaining a weekly Super Constellation service between Sydney and Tokyo via Manila and Darwin in addition to a weekly Skymaster service between Iwakuni and Tokyo via Hongkong, Rabaul and Darwin. Thai Airways Company, or TAC, is the national flag carrier of Thailand. It is now operating twice-a-week service between Tokyo and Bangkok via Taipei and Hongkong.

Civil Air Transport, known as the Orient's Own Airline, maintains a record of non-accidents in the company's history. The Chinese Government recently granted CAT an award in recognition of its past non-accident operations. CAT is operating four Tokyo-Taipei-Hongkong services by DC-4 Skymasters in a week, three services to Seoul, a weekly service to Bangkok and Manila. CAT was organized in February this year to meet the requirements of the pertinent laws of China, the Civil Aviation Code, the Company Law and the Foreign Investment Statute. The newly-created Civil Air Transport Company, Limited is a Chinese company limited by shares incorporated under the Chinese Law. The major portion of the stock is held by Chinese private individuals and minor portion by American interests. Another company named, "Asiatic Aeronautical Company, Limited," is a Chinese company by the Company Law and the Foreign Investment Statute with stocks held by private American investors and Gen. Claire L. Chennault as chairman. The terms of its incorporation certificate permit AACL to conduct commercial aviation business including aircraft maintenance activities. The capital of the two new firms was designed in line with modern principles of corporation financing.

KLM Royal Dutch Airlines, known as KLM, is the oldest airline in existence in the world today, having been established in 1919. KLM is the first foreign carrier to have introduced Super Constellation airliners to the Far East from Europe. KLM is operating a Tokyo-Amsterdam Super Constellation service twice a week via Manila and Bangkok. Scandinavian Airlines System, commonly known as the SAS, is a combined organization of Swedish, Danish and Norwegian international airlines. SAS operates DC-6B tourist-class and first-class services twice a week via Manila, once a week via Hongkong to northern Europe. SAS is the first commercial airline to have succeeded in inaugurating a transpolar service between Los Angeles and Stockholm last November. Air France, the Government-owned airline of the French Republic, operates tourist-class and first-class services by Lockheed Constellations between Tokyo and Paris via Hongkong and via Manila twice a week. Air-India International, the national flag carrier of India, is a newcomer to Japan. It inaugurated its weekly service between Tokyo and Bombay by Lockheed Constellation on May 6, this year. Its weekly Constellation service can cover the route between Tokyo and Bombay in 22 hours with brief stop-overs at Hongkong, Bangkok and Calcutta. Air France, KLM, QEA and SAS were recently granted traffic rights between Tokyo and Manila, thus enabling them to pick up passengers between the capitals of two countries.

BUSINESS CONDITIONS IN JAPAN

The Ministry of International Trade and Industry has recently conducted a thorough analytical survey into various phases of Japan's economic developments in fiscal 1954, and the nation's trade. Contrary to the public desire and expectation, Japan's firms engaged in foreign trade have been making a very slow progress in their efforts to strengthen their postwar positions. Apart from progress of amalgamation by large firms and consolidation of their branches abroad, the general tendency of foreign trade firms during 1954 was towards weakening of their business activities as a whole, not a few of them suffering bankruptcy or undergoing merger.

There may be noted twin responsible factors of prominence behind the phenomenon. One is the postwar dissolution of the Mitsui Bussan and Mitsubishi Firm engaged before the war in a broad field including banking, insurance, productive and transport enterprises on an international scale. The other is the worsened postwar environments of general firms which, with all their overseas branches and information network destroyed by hostilities, considerably prevented their business activities at home and abroad. As for the latter factor, a variety of adverse postwar circumstances may be noted in the following summaries of traders' general business conditions.

Capitalization: According to the Government's trade returns for 1954, firms own capital occupied only 9.2 per cent, with borrowed capital swelling up to 90.8 per cent. This percentage of own capital indicates a slight increase over 1953's 7.8 per cent, but fell far short of the pre-war level of 41.3 per cent in 1939, as detailed in the Table A showing a comparison of capital and assets formation separately presented in gross total, and in accordance with scales of business returns, namely, below Y100,000,000; below Y1,000,000,000; below Y2,500,000,000, and below Y10,000,000,000. As shown in the Table, the rate of debts was making a remarkably accelerative increase. This tendency was particularly notable in the case of major firms (with export-import total exceeding Y10,000,000,000), with such a tremendous rate as 2,371 per cent for 1954, though this must be regarded as an improvement even, as compared with 1953 when the rate was 2,781 per cent. In point of profit rates, both 1953 and 1954 registered 5 per cent as against the pre-war rate of 7.7 per cent. In the case of major firms, the result was still worse, with only 3 per cent for 1954 as against 4 per cent for the preceding year.

Capital Fluctuation: The chart below indicates capital fluctuation noticeable in comparison between 1953 and 1954 the figures (unit—one million yen) showing the returns as registered in either case at the end of September:

Under Operation (Increased)		At Fountainhead (Increased)	
Fixed Assets	2,649	Capitalization	3,492
Deferred Items	173	Fixed Debts	2,604
Working Capital	13,649	Surplus Funds	10,375
Floating Debts	26,594	Floating Debts	12,945
		Working Capital	13,649

Excessive Competition: The total number of Japanese foreign trade firms stood in 1954 at 2,900. This is a gain of some 200 over the preceding year. In 1939 the total numbered over 6,000 but no less than 73.4 per cent of this total were those firms engaged in export to China. When the number of these particular traders is subtracted from the total for 1939, the above returns for 1954 may be regarded as marking a considerable increase over the prewar days. But a more notable fact about the firms than their increasing number is the business competition they are carrying almost to an excess, thereby inevitably pulling down their profit percentage.

The only way to check the tendency is to so revise the existing law for export-import control as to make the excessive competition practically prohibitive. Table C gives the number of business enterprises undertaken by trade firms, number of their offices, and of their employees: (The figures are given in accordance with major classes of business and with sales returns, exports and imports. Offices and employees include those abroad; the figures on the left side under each column of years indicate actual returns, and the right side figures the percentage, while the figures under the columns of employees indicate the number. The monetary unit is Y1,000,000).

Amalgamation: The most attractive of the postwar merger of business firms is the amalgamation recently effected of the Mitsui Bussan lineage firms and also of the Mitsubishi Shoji-line firms. In the case of the former, three separate firms established following the dissolution of the old Mitsubishi Firm were last July amalgamated with the Mitsubishi Shoji (new) which had started as the second company. In the case of the Mitsui, an agreement was reached in March this year on the merger of its three separate companies created upon its dissolution. Other merger programs include amalgamation of Marubeni with Takashimaya.

The Mitsui firm, when its merger program is completed, will get ahead of the present No. 1 Mitsubishi Shoji in point of its total business returns. The comparison of the business capacities of these amalgamated big firms in recent years with the prewar days indicates a remarkable progress, although still falling far short of the prewar levels in respect of capitalization, network systems of branch establishments, productive power and transport capacities (See Table D).

Makers' Advance: The foreign trade made by makers during 1954 registered a Y30,100,000,000 worth increase in export over the preceding year, thereby occupying 16.6 per cent of Japan's total exports, and a Y8,300,000,000 worth gain in import over the preceding year occupying 12.8 per cent of the total imports. In 1952 the export scored an increase by 9.3 per cent and import an increase by 11.0 per cent as compared with the preceding year, thus rendering the advance in 1954 comparatively appreciable.

Branch Offices Abroad: The total number of Japanese trading firms' branch establishments abroad as registered in September 1954 reached 277, as shown in the Table E which corresponds to 122 per cent of the preceding year's returns. This means more than making up the decrease in the number of the firms caused by their merger. The total in 1937 was 1,683 but when the number of those stationed in China proper, which occupied the greatest portion, is taken off, the total for 1937 stands at 230. The number of the branch offices may thus be regarded as having by this time recovered the pre-war days' level. The number of dispatched employees averaged 4.4 men per locality in 1954 as against 3.5 of 1953. Many of those detailed employees, however, were for little more than gathering business information.

Foreign Currency Allocation: Foreign currency allocation for import was formerly made exclusively for makers and others in direct need, foreign trade firms being treated as their agents. The latest Government policy, however, is to grant allocation to such firms alike so as to enable them to make the best of their commercial function. Of the $932,700,000 worth foreign currency available for allocation during the period of April to September 1954, $378,300,000 worth was for those in direct need, of which the quota for foreign trade firms was $325,300,000, or half this amount in effect when what was allocated for foodstuffs import was set aside.

Resident Foreign Traders: There are not a few resident foreign traders whose head offices in their homeland are often found wielding powerful influence on an international scale with their colossal capital and extensive network of branch offices. The Table F gives comparative returns of exports and imports dealt with by Japanese and foreign firms during 1939, and 1953—1954.

Owing to the insufficient capital and weakened market control of Japanese firms in general after the war, Japan has had to depend upon foreign traders for import, in particular, of raw cotton, iron ores and most of other industrial materials. This state of affairs naturally fostered the influence of foreign traders upon Japanese overseas trade, some of whom play the part of intermediaries between their head offices at home and Japanese firms, or some others acting as sole agents for the latter in the business of importing goods from abroad. Along with the gradual readvance of Japanese firms, however, the room for those resident foreign intermediaries' activities is on the wane.

Judging from the above review of the business conditions and activities of Japanese and foreign firms, there is particular necessity for creating exclusive export-import

firms as well as for strengthening combined business firms, in order to ensure proper future development of Japanese foreign trade.

Table G shows the import transactions in value as made by 82 main Japanese firms through and not through the medium of foreign firms and agents: (Unit, Y1,000).

The fundamental weakness of Japanese trade firms lies in their insufficient capitalization, unstable management and excessive competition. For removal of these handicaps so as to impart to them proper competitive power against foreign rivals, the following measures are now under deliberation: a. Facilitating business merger. b. Better banking service for trade purposes. c. Strengthening firms' functions: i. To initiate a foreign currency reserves system and a foreign currency advance system in favor of foreign-trade firms, in order to ensure proper activities of business branches abroad. ii. To promote favorable import through elastic operation of the foreign currency budget system so as to permit full-fledged activities of firms. iii. To promote efficiency in firms' business execution through readjustment of recognized export items and simplification of liquidation procedure. d. Formation of a common front for trade firms.

With a view to facilitating business cooperation among firms, the Export-Import Transactions Law will be revised, export unions strengthened and outsiders' undue activities curbed.

Foreign Exchange Banks: In accordance with the Foreign Exchange Bank Law issued in April 1954, the Bank of Tokyo was authorized to act as such a bank and was opened to business in September last. The other exchange banks are also recognized to continue their exchange business under the name of Recognized Foreign Exchange Banks Class A and Class B. The foreign banks in this country are also treated as recognized foreign exchange banks. The banks now engaged in foreign exchange business may be classified here as follows:

(1) Foreign exchange bank, in accordance with the Foreign Exchange Bank Law (one bank—Tokyo Bank). (2) Recognized foreign exchange bank, class A. (11 Japanese banks). (3) Recognized foreign exchange bank, class B. (22 Japanese banks). (4) Foreign banks in Japan. (13 banks, namely 9 A class banks and 4 B class banks). a. Under American control (4 banks). b. Under British control (3 banks). c. Under Dutch control (2 banks) d. Under other control (4 banks).

These foreign banks are not strongly connected with Japanese trading community, but their business returns show every sign of improvement since the enforcement of the rigid economy policy here.

To the recognized class A foreign exchange banks under foreign control, the greater portion of the MOF account out of the foreign currency holdings of the Government, is made available, (excepting the Indochina Bank).

Unlike class A recognized foreign exchange banks, the foreign exchange bank is to devote itself to foreign exchange business only, so that various steps for promoting its business are to be taken. The Tokyo Bank accordingly decreased its branch offices at home from 45 in prewar days to 24 in April 1954, and at the same time increased its branch offices abroad their total now reaching seven.

In the Tokyo Bank is open the MOF account of the Government owned foreign currency. As a consequence, to this bank will not be applied the foreign currency deposit system and LUA (Letter of Undertaking & Authorization).

Maritime Transport: Japan's marine transport business suffered practical annihilation in World War II but subsequently through a series of shipbuilding programs gradually recovered its position until it was restored to 54 per cent of its prewar level at the end of December 1954—with 1,135 steel vessels (3,288,000 gross tons) of over 100 tons each.

Japanese efforts were on the other hand concentrated on the restoration of the transocean regular line service. Japanese regular liners service is considerably depressed as compared with its prewar condition because of its disadvantageous position of competing as an outsider with foreign rivals—Japanese liners' participation in the World Freight Conference being opposed by some foreign leaders.

In 1954, however, these difficulties and handicaps were overcome to a great extent, with the shipping routes increased to 21. During the first part of 1954 the maritime transport fares remained more or less depressed, but began to look up since July, with the steady tone kept up until March 1954. This was due to a marked increase of demand for bottom, from the sharp increase in demands for coal and scrap iron in Europe and brisk move of American relief goods.

Japanese maritime transport circles enjoyed a pretty brisk business during 1954 carrying back from North America foodstuffs, raw materials and other goods, and foodstuffs from different parts of Asia.

In its transport business between foreign ports, also, Japan scored satisfactory returns, the transports during January to July 1954 aggregating 1,660,000 tons with the total freightage receipts amounting to $17,000,000, which corresponded to some 17 per cent of the total receipts of the country's marine transport fares, and marked a gain in volume of 260,000 tons and in freightage of $3,000,000 over the returns for the same period of the preceding year. The loading percentage for 1954 indicated a slight increase over 1953 but fell a good deal short of the prewar days' level.

Among the steps taken during 1954 for promoting the country's shipping service may be mentioned a series of vessels building which completed in the year 25 vessels with 300,000 gross tons, which will be followed by construction of another 19 ships with 150,000 gross tons.

BUSINESS CONDITIONS IN STATISTICS

Table A

	1939		1952		1953	
Capital Constitution:	number	%	number	%	number	%
Total	2,770	100.0	557,610	100.0	767,926	100.0
Own Capital						
Total	1,144	41.3	33,062	5.9	59,663	7.8
Investments ...	881	31.3	16,749	3.0	30,193	3.9
Others	263	9.5	16,313	2.9	29,470	3.9
Borrowed Capital						
Total	1,626	58.7	524,548	94.1	708,263	92.2
Floating Debts ..	1,487	53.7	511,280	91.7	693,559	90.3
Fixed Debts	139	5.0	13,268	2.4	14,704	1.9
Assets Constitution:						
Total	2,700	100.0	557,610	100.0	767,926	100.0
Floating Assets ..	2,273	82.1	517,209	92.7	685,373	89.3
Fixed Assets	497	17.9	31,606	5.7	74,693	9.7
Others			8,795	1.6	7,860	1.0
Foreign Investments:						
Goods on Hand						
Beginning of Term			534		790	
End of Term			100,436		94,066	
Stock on Average			91,181		177,760	
At each year end			95,808		105,913	
Total Dealings						
Total laid-in ..			1,921,755		2,438,009	
Total Sales			2,053,379		2,547,566	

Capitalized at over Y10 billion

Capital Constitution:	1954 number	%	1954 number	%	1952 number	%	1953 number	%
Total	797,342	100.0	352,260	100.0	237,058	100.0	326,446	100.0
Own Capital								
Total	73,530	9.2	14,258	4.0	4,749	2.0	10,987	3.4
Investments .	33,685	4.2	8,169	2.3	3,559	1.5	6,182	1.0
Others	39,845	5.0	6,089	1.7	1,190	0.5	4,805	1.5
Borrowed Capital								
Total	723,812	90.8	338,002	96.0	232,336	98.0	315,459	96.6
Floating Debts	706,504	88.6	332,810	94.5	224,282	94.6	313,248	95.9
Fixed Debts .	17,308	2.2	5,192	1.5	8,054	3.4	2,211	0.7
Assets Constitution:								
Total	797,342	100.0	352,260	100.0	237,085	100.0	326,446	100.0
Floating Assets	719,967	89.3	331,988	94.2	227,731	96.1	297,090	91.
Fixed Assets ..	77,342	9.7	19,403	5.5	6,474	2.7	28,322	8.7
Others	8,033	1.0	869	0.3	2,880	1.2	1,034	0.
Foreign Investments:								
Goods on Hand Beginning of Term ...	852		151		132		242	
End of Term	109,329		52,195		47,603		40,804	
Stock on Average ..	107,513		47,536		39,411		53,454	
At each year end	108,421		49,865		43,507		47,129	
Total Dealings								
Total laid-in	2,833,422		1,479,722		836,872		1,181,225	
Total Sales .	3,003,980		1,526,697		898,419		1,219,450	

Capitalized at

Capital Constitution:	Y2.5-10 billion 1953 number	%	1954 number	%	Y1-2.5 billion 1953 number	%	1954 number	%
Total	111,429	100.0	105,400	100.0	81,526	100.0	67,379	100.0
Own Capital								
Total	6,153	5.5	7,010	6.7	3,855	4.7	3,564	5.
Investments .	3.224	2.9	4,356	4.2	2,077	2.5	2,129	3.2
Others	2,929	2.6	2,654	2.5	1,778	2.2	1,435	2.
Borrowed Capital								
Total	105,276	94.5	98,390	93.3	77,671	95.3	63,815	94.7
Floating Debts	102,179	91.7	94,865	90.0	76,964	94.4	62,741	93.1
Fixed Debts .	3,097	2.8	3,525	3.3	707	0.9	1,074	1.
Assets Constitution:								
Total	111,429	100.0	105,400	100.0	81,526	100.0	67,379	100.
Floating Assets	104,885	94.1	95,924	91.0	77,703	95.3	64,334	95.5
Fixed Assets .	5,481	4.9	8,239	7.8	2,490	3.1	2,613	3.9
Others	1,063	1.0	1,237	1.2	1,338	1.6	432	0.6
Foreign Investments:								
Goods on Hand Beginning of Term ...	79		63		28		27	
End of Term	13,321		15,603		8,748		7,537	
Stock on Average ..	15,811		16,237		10,451		8,284	
At each year end	14,562		15,920		9,599		7,911	
Total Dealings								
Total laid-in	354,094		392,094		233,214		227,455	
Total Sales .	361,101		418,116		239,147		236,529	

Capitalized at

Capital Constitution:	Y100 million-Y1 billion 1953 number	%	1954 number	%	Below Y100 million 1953 number	%	1954 number	%
Total	155,934	100.0	153,061	100.0	92,591	100.0	119,242	100.0
Own Capital								
Total	22,492	14.4	24,015	15.7	16,716	17.5	24,647	20.7
Investments .	9,104	5.8	10,016	6.5	9,606	10.4	9,025	7.6
Others	13,388	8.6	14,035	9.2	6,570	7.1	15,632	13.1
Borrowed Capital								
Total	133,442	85.6	129,010	84.5	76,415	82.5	94,595	79.3
Floating Debts	128,807	82.6	125,263	82.0	72,361	78.1	90,824	76.2
Fixed Debts	4,635	3.0	3,747	2.5	4,054	4.4	3,771	3.1
Assets Constitution:								
Total	155,934	100.0	153,061	100.0	92,591	100.0	119,242	100.0
Floating Assets	130,042	83.4	125,007	81.7	75,653	81.7	94,714	79.4
Fixed Assets .	22,943	14.7	24,417	16.0	15,457	16.7	22,670	19.0
Others	2.949	1.9	3,637	2.3	3,637	1.6	1,858	1.6
Foreign Investments:								
Goods on Hand Beginning of Term	207		352		239		259	
End of Term	20,491		20,178		10,711		13,816	
Stock on Average ..	23,461		20,922		14,583		14,534	
At each year end	21,976		20,550		12,647		14,175	
Total Dealings								
Total laid-in	446,090		429,934		223,386		324,217	
Total Sales	484,256		474,815		243,612		347,823	

Table B

Management Percentage

	1939	1952	1953	1954
1. Floating	152.9	101	99	101
2. Fixed	43.4	96	125	105
3. Long-term adaptability	38.7	68	100	85
4. Debts	142.1	1,587	1,187	984
5. Foreign Investments	3.8	2	2	2
6. Goods Rotation	21.4	21	24	28
7. Floating Assets Revolving Rates ..	3.8	4	4	4
8. Own Capital Revolving Rates	7.6	62	43	41
9. Total Capital Revolving Rates	3.1	4	4	4
10. Total Profits From Turnover	7.7	6	5	6
11. Turnover Profits: Total Capital ..	24.0	22	19	22
12. Turnover Profits: Own Capital	58.0	370	223	202

Table C

	Number of Enterprises 1953	1954	Number of Business Offices 1953	1954	Number of Employees 1953	1954
1. Gross Total	2,706	2,940	3,838	4,188	43,862	43,813
2. Wholesalers & Retailers	1,995	2,118	2,948	3,110	38,985	38,543
Over Y10,000,000,000 ...	21	22	294	377	13,724	16,588
Y2,500,000,000-Y10,000,000,000	36	39	187	157	4,629	3,468
Y1,000,000,000-Y2,500,000,000	57	53	134	137	3,121	2,795
Y100,000,000-Y1,000,000,000	422	473	724	744	8,573	8,223
Below Y100,000,000	1,459	1,531	1,609	1,695	9,938	7,469
3. Firms Engaged in Foreign Trade As Incidental Business of Their Manufacturing Industry	668	724	835	912	4,611	4,752

	Sales Returns 1953	1954	Exports 1953	1954	Imports 1953	1954
			(Unit: Y1 million)			
1. Gross Total ..	3,519,880	4,297.607	437,294	580,321	796,061	923,203
2. Wholesalers & Retailers ..	2,593,961	3,047,313	368,946	478,787	685,054	799,449
Over Y10,000,000,000	1,219,450	1,526,697	170,572	260,622	467,500	578,049
Y2,500,000,000-Y10,000,000,000	372,843	418,115	58,599	59,485	107,605	115,162
Y1,000,000,000-Y2,500,000,000	248,269	249,092	39,705	44,915	49,553	39,183
Y100,000,000-Y1,000,000,000	501,037	498,417	78,321	89,016	46,492	50,989
Below Y100,000,000	252,362	354,992	21,749	24,749	13,904	16,066
3. Firms Engaged in Foreign Trade As Incidental Business of Their Manufacturing Industry ...	870,602	1,146,645	65,906	96.065	109,931	118,272

Table D—1

(Unit: Y1,000)

Names of Firms	Semi-Annual Average of Export-Import 1937-1943 (Unit: † 1,000)
Bussan-Shoji	788,843
5 Top-class Firms right below above Bussan-Shoji	586,673
8 Other Firms Following above 5	532,970
Total of 15 Firms above mentioned	1,858,486
Semi-annual Average of Export-Import 1937-1943	2,754,267

Table D—2

Trade Firms	1954 Total Sales (Unit: † 1,000)	Import-Export
Bussan-Shoji	415,087	246,154
5 Top-class Firms Right Below Bussan-Shoji	583,335	331,707
8 Firms Following Above 5	343,651	184,237
Total of Above 15	1,342,704	762,098
Gross Total for All Firms	3,047,313	1,278,236

Table E

Trading Firms' Branch Offices Abroad

Regional	Number of Branches 1953	1954	Employees: Total Number 1953	1954	Dispatched Employees 1953	1954
North America	51	65	234	359	148	204
Mid. & South America	19	27	51	90	30	57
Europe	22	21	45	88	28	52
Mid. & Near East	18	26	40	49	37	44
Far East & Southeast Asia	112	131	416	627	203	271
Australia	6	7	18	19	17	18

Table F

Number of Undertakings

Gross Total	1939	%	1953	%	1954	%
1. Japanese firms .	(7,023)	(100)	2,706 (3,562)	100.0 (100)	2,940 (3,801)	100.0 (100.0)
2. *De facto foreign firms among above Japanese firms .	(6,456)	(91.9)	2,527 (3,345)	93.4 (93.9)	2,734 (3,550)	93.0 (93.4)
3. Foreign firms ..	—	—	80 (111)	3.0 (3.1)	114 (159)	3.9 (4.2)
4. 2+3	(567)	(8.1)	179 (217)	6.6 (6.1)	206 (251)	7.0 (6.6)
5. Through medium of	—	—	259 (328)	9.6 (9.2)	320 (410)	10.9 (10.8)
resident foreign traders	—	—	—	—	—	—
6. 2+3+5	—	—	—	—	—	—

Exports

Gross Total	1939	%	1953	%	1954	%
1. Japanese firms .	3,191	100.0	437,294	100.0	580,321	100.0
2. *De facto foreign firms among above Japanese firms .	2,763	86.6	409,408	93.6	546,724	94.1
3. Foreign firms ..	—	—	6,670	1.5	9,757	1.7
4. 2+3	428	12.4	27,886	6.4	33,597	5.9
5. Through medium of	—	—	34,556	7.9	43,387	7.5
Resident foreign Traders	—	—	—	—	61,222	10.5
6. 2+3+5	—	—	—	—	104,606	18.0

Imports

Gross Total	1939	%	1953	%	1954	%
1. Japanese Firms .	2,231	100.0	796,061	100.0	923,193	100.0
2. *De facto Foreign firms among above Japanese Firms .	1,974	88.5	772,687	97.1	900,906	97.6
3. Foreign Firms ..	—	—	52,452	6.6	26,082	2.8
4. 2+3	257	11.5	23,374	2.9	22,287	2.4
5. Through Medium of	—	—	75,826	9.5	48,369	5.2
Resident foreign Traders	—	—	—	—	100,552	10.9
6. 2+3+5	—	—	—	—	148,891	16.1

Remarks:

* "De facto foreign firms" means Japanese firms more than 50 per cent of whose capital is occupied by foreign persons or foreign corporations.

† Investigation about this item was made of 82 major Japanese foreign trading firms.

Figures in brackets indicate the number of business offices.

Table G

Imports by 82 Major Japanese Firms

— Unit: Y1,000 —

Merchandise	(a) Value	(b) (a) minus Commission	(c) Commission	(d) Commission Percentage (c)/(b)x100
A. Total Imports by 82 Firms Investigated	509,034.080	—	—	—
B. Total Imports by 57 Firms Out of A, Making Import Through Foreign Firms in Part Out of B	421,709,659	—	—	—
C. Total of Imports Made Through Foreign Medium Only	100,522,114 (23.8%)	37,854,021	495,295	0.5
1. Foodstuffs, Beverages & Tobacco	36,614,245	23,608,571	340,638	1.4
2. Raw Hides and Furs Unfinished	234,209	0	—	—
3. Nut-seeds and Kernels for Oil	3,443,512	9,600	280	6.4
4. Raw Rubber	2,659,534	1,573,848	17,168	1.1
5. Timber, Cork, Pulp & Waste Paper ...	1,707,307	0	—	—
6. Textile Fibers	23,721,849	633,078	18,249	2.9
7. Fertilizer	5,088,728	86,131	916	1.1
8. Minerals	5,528	0	—	—
9. Metal Ores & Scraps	8,444,799	4,908,028	45,594	0.9
10. Other Raw Materials	86,824	0	—	—
11. Mineral Fuel, Lubricating Oil & Connected Things	2,947,671	1,291,750	31,541	2.4
12. Animal & Vegetable Oil & Fats	6,321,548	18,522	1,508	8.1
13. Chemicals	3,423,845	1,272,704	840	0.1
14. Machinery	2,107,908	1,588,036	7,602	0.5
15. Other Miscellaneous Manufactures	3,330,333	2,898,753	30,961	1.1

Table H

Exports Made by Japanese Firms Through the Medium of Resident Foreign Traders

Unit, Y1,000

Merchandise	(a) Value	(b) (a) minus Commission	(c) Commission	(d) Commission Percentage (c)/(b)x100
A. Total Exports by 82 Japanese Firms Investigated	299,512,516	—	—	—
B. Total Exports by 57 Firms Making Export Through Foreign Medium in Part	260,072,289	—	—	—
C. Out of B, Total of Export Made Through Foreign Medium Only	64,035,103 (24.6%)	21,910,208	211,026	1.0
1. Foodstuffs, Beverages & Tobacco	2,162,119	1,792,614	25,228	1.4
2. Unedible Raw Materials	52,170	8,674	22	0.3
3. Animal, Vegetable & Mineral Oil & Fats .	210,651	128,713	165	0.1
4. Chemicals	4,948,238	1,919,777	21,611	0.1
5. Leather, Leather Manufactures, & Finished Furs	0	0	—	—
6. Rubber Manufactures .	0	0	—	—
7. Wooden Goods & Paper	108,622	30,740	1,226	4.0
8. Fiber-Threads, Textiles & Related Things ..	18,289,488	10,676,045	48,635	0.5
9. Nonmetal Manufactures	1,573,792	1,336,479	25,602	1.9
10. Base Metals	2,509,492	1,968,391	10,654	0.5
11. Metal Manufactures .	10,681,651	633,504	6,823	1.1
12. Other Manufactures ..	3,059	3,056	8	0.3
13. Machinery	3,464,393	3,073,432	65,610	2.1
14. Medical Appliances & Optical Instruments	500	500	15	3.0
15. Other Miscellaneous Manufactures	423,079	338,280	5,427	1.6

SOME FACTS ABOUT SINGAPORE

The Colony was founded by Sir Stamford Raffles in 1819. It was ceded to the East India Company in 1824, came under direct control of the Governor General of India in 1851, and of the Colonial Office in 1867, being part of the Straits Settlements. In April 1946, Singapore was constituted a separate Colony. Singapore became a city by grant of a Royal Charter from King George VI on September 22, 1951. The City Council's main functions relate to public utilities, roads, sanitation, health, building and the fire services. Roughly diamond shape, 27 miles by 14, Singapore island is 224 square miles in area. About a quarter is built on, including roads and railways, and another quarter is agricultural land.

There are no restrictions as to ownership of land by aliens. The soil is laterite and clay, not very fertile, yet in the small-holdings of Kallang Valley the population is 7,000 to the square mile, perhaps the most overpopulated agricultural tract in the world. The island has a total population of 1,200,000 people, about half of them under the age of 21. About 850,000 live in Singapore city. Three-quarters are Chinese by race, about 12 per cent are Malaysian, eight per cent are Indian or Pakistani, nearly one and a half per cent are European and just under one per cent are Eurasian. Singapore is one of the healthiest places in Asia, with a death rate of 10.3 per mille, lower than most Western cities. The birth rate is 48.7. For each death,

there are four births. In the next few years Singapore will grow younger with every twelve months that pass.

Singapore's currency is the Malayan dollar, valued at 2s. 4d. and linked to sterling. In December 1953 the note circulation totalled $764 million for Singapore, the Federation of Malaya and the Bornean territories. Singapore has 28 banks, representing six countries and more are coming up. There is a combined Postal and Telegraph Administration for Singapore and the Federation of Malaya, with local and world-wide air-mail services. The telephone service is connected with the Federation network. A Cable and Wireless overseas service and a Radio-telephone system give overseas link.

An international railway service connects Singapore with Bangkok, the capital of Thailand, a three-day journey through the Federation and Thailand. There are over 800 buses and trolley buses on Singapore's roads, 1,600 taxis and 32,000 private cars, to say nothing of nearly 10,000 motor trucks, 7,000 motor-bicycles, 5,000 trishaws and 165,000 bicycles. There are 175 miles of good roads in the City and 130 miles in the rest of the island. Local air services are operated by Malayan Airways Ltd. and all the principal airlines in this part of the world, especially those on the Europe-Australia-Far East run, make Singapore an important point of call. Singapore has airfield facilities for the largest and most modern planes. Singapore's Airport is at Kallang, a centre from which the South-East Asian services of Malayan Airways and 12 international companies operate. A new airport with a runway of 8,000 ft. up to the best international standards is being built at Paya Lebar, seven and a half miles from the city centre. It will be operating in 1955.

Singapore has a port area of 30¼ square miles with an inner harbour protected by a mile-long break-water, and outer harbour and a Western Anchorage. The Singapore Harbour Board, a public utility company, has 40½ acres of warehouses and shed accommodation, two and a half miles of wharves and its own five graving docks. It employs a labour force of 4,000 men. The Harbour Board operates shipyards, where the heaviest repairs can be undertaken. It owns a number of slipways and drydocks, the largest of which is King's Dock, 873 feet long by 93 feet in breadth with a depth of 34 feet. Singapore is a free port except for duties on spirits, tobacco and petrol. Imports and exports are however affected by Foreign Exchange Control. Malaya is fourth among the countries of the Commonwealth in respect of foreign trade, only the U.K., Canada and Australia being ahead. She is one of the Commonwealth's biggest dollar earners. Singapore plays a major part in the entrepot trade of Malaysian produce e.g. rubber, pepper, jelutong, spices, tapioca, gambier and gutta percha.

As a manufacturing centre Singapore is rapidly growing in importance. An increasing number of manufacturers doubtless induced by the free port facilities are setting up assembly and distributing plants on the island. Industries using local products are rubber milling, soap making, pineapple canning, saw milling, rattan work, rubber goods manufacturing, tin smelting, coconut oil milling, brick making, and glass manufacturing. Imported materials are used for the following:—Asbestos, concrete and steel piping, commercial gums, paints, glass bottles, metal boxes, dry batteries, leather goods and engineering as well as for building construction and motor car assembling.

Singapore has 430,000 workers gainfully employed, including 120,000 manual workers. Ninety per cent of the Colony's factories and workshops have a standard eight hour day. There are 16,000 shops, and a weekly holiday for every shop assistant. The workman injured at his job gets compensation under the Workmen's Compensation Act, and there is a compulsory provident fund to which worker and employer contribute equal monthly sums.

The three principal Chambers of Commerce are—The Singapore Chamber of Commerce, the Chinese and the Indian. Singapore has a Department of Social Welfare, whose functions include the care of displaced and homeless persons, the tracing of missing persons, the administration of public assistance, juvenile delinquency: the organization of boys' and children's clubs, the protection of women and children. The Singapore Police Force and the Special Constabulary are 5,000 strong. The Inspectors are drawn from all races, the N.C.O.s and the men are predominantly Malays. There are 50 women police of whom one holds the rank of Inspector.

Singapore has three daily newspapers in English—two morning and one afternoon; four Chinese—three morning and one afternoon; two in Tamil and one Malay. Five International news agencies have offices in Singapore. Singapore is the seat of the University of Malaya. The University has three faculties—Arts, Science and Medicine. There are 150 on its teaching staff (including part-time) and 1,100 students.

Government revenue in 1953 was $238.5 million, and expenditure $169.7 million. Revenue from taxation was $173.4 million, half of it from income tax. The tobacco tax, and the duties on liquor and petrol are the other substantial sources of revenue. The City Council spent $65 million in 1953, and had a revenue of $69.3 million; no less than $53 million from loans. The Rural Board balanced its accounts at $4.1 million. The general purpose rate in the City is 30 per cent of the assessed value of the property. There is a two per cent improvement rate and a two per cent education rate. Loan expenditure was mainly on the new Pasir Panjang Power Station, and extension scheme by the Water Department.

By 1954, no less than $93 million of public money had been made available to the Singapore Improvement Trust for building houses for rent. All the money came out of budgetary surpluses. In August 1954 the Trust completed its 10,000th unit. Over 26,000 houses are owned by public bodies, for the housing of Government employees, City Council employees and the employees of the Harbour Board.

Singapore is the headquarters of the Commissioner General for the United Kingdom in South-East Asia, of the British Far East Station (Royal Navy), the Far East Land Forces and the Far East Air Force. The local defence forces include the Malayan Navy, Malayan Navy Volunteer Reserve, the Malayan Auxiliary Air Force and the Singapore Volunteer Corps. At the age of 18 the Singapore born youth becomes liable for part-time national service.

The Colony has achieved the main aim of its ten year education programme—a six year primary course for children between the ages of six and twelve. There are 144,000 children in the primary schools, but the primary age group will grow to 240,000 in six years time, by when one in five of the total population will be of primary school age. Singapore spent $21 million on education in 1953, and had altogether nearly 170,000 children in school, nearly half of them in schools in which the English language was the medium of instruction.

Singapore is the centre of the cinema business of South East Asia. All the major British and American distributors are represented and the two largest cinema exhibition chains in Malaya have their headquarters in Singapore. Thirty-seven licensed cinemas and 46 open-air cinemas show films in the five principal languages of the Colony.

Singapore is well provided with sports and social clubs. The Royal Island Club which caters for all nationalities has a very fine golf course. Singapore's race course is one of the most beautiful in the world. Three "Amusement Parks"—Great World, New World, and Happy World—with Chinese theatres and cinemas, dance halls, wrestling and boxing arenas, cater principally for the Asian population. Singapore has a high standard in most games and athletic pursuits, especially badminton, hockey, basket-ball, weight-lifting and swimming. The Singapore Olympics and Sports Council organised teams which competed successfully in the Commonwealth games in New Zealand in 1950, the Asian Games in New Delhi in 1951 and Manila in 1954. Singapore has two broadcasting stations—the British Far Eastern Broadcasting Service which relays BBC programmes and the Singapore station of Radio Malaya run by the Government Department of Broadcasting. There is a Rediffusion service.

HONGKONG NOTES

TAXATION LAW

The Legislative Council last week passed a Bill to amend the Inland Revenue Ordinance. The main feature of the Bill is the amendment made in respect of the taxation of profits derived from the Colony. The new law provides that in case of doubt in stating with certainty where any particular item of profit arises, such income and profits shall be deemed to arise in Hongkong unless proof is adduced to the Commissioner of Inland Revenue that a corresponding tax has been borne elsewhere. Explaining this amendment, the Financial Secretary (Mr. A. G. Clarke) stated that in introducing this Bill, Government did not intend to extend the scope of the tax to earnings and profits which arise outside, or are derived from outside, the Colony.

CROSS-HARBOUR TUNNEL

Government is considering the construction of the proposed $160 million cross-harbour tunnel between Hongkong and Kowloon. According to the report of the consultants, Messrs. Mott, Hay & Anderson, the total cost of the project would be about £10,065,000. It would take 72 months to complete the work. The entrance to the tunnel on the Hongkong side is placed in the centre of the existing Murray Barracks where toll booths would be installed. The tunnel sweeps round the area of Seven-and-Sixpenny Hill, begins to cross under the harbour between the Naval Camber and the R.A.S.C. Camber and touches the mainland on the western side of Holt's Wharf, appearing above ground on the side of Hunghom Bay between Chatham Road and the railway line. Toll booths would be placed approximately between Mody Road and Cameron Road. Chatham Road would be the main road of approach. The consultants, the firm which designed the Mersey Tunnel, report that there would be no engineering difficulty in the construction of the tunnel. The tunnel would be confined to mechanically propelled vehicular traffic only since the extra cost of providing lanes for other uses cannot be justified. It is considered that the existing ferry services are quite adequate for all but vehicular traffic and would continue to be used to capacity. However, the possibility of building this tunnel in the near future is very small in view of the Government's heavy commitments in respect of the Tai Lam Chung reservoir, the new runway at Kai Tak, and the proposed City Hall. There is also the problem of getting the cooperation from the Army to demolish the Murray Barracks.

NEW GAS PLANT

Construction work on the new gas plant at Mataukok in Kowloon has begun. According to Mr. J. L. Marden, Acting Chairman of the Hongkong and China Gas Company, Ltd. in his report to the shareholders at the annual meeting last week, the new plant would be finished by June next year and would provide an initial capacity of 1½ million cu. ft. gas per day. For the year 1954, the quantity of gas sold was 313.8 million cubic feet at Hongkong and 270.9 million cubic feet at Kowloon compared with 317.3 million and 267.3 million respectively for the year 1953. Since January output in Hongkong has increased by approximately 1% and in Kowloon approximately 5%. The demand for gas is increasing. To help our consumers, the Company recently instituted a cleaning and overhaul service for all appliances installed in households. This service is free, only the cost of replacing defective parts of appliances owned by consumers is chargeable to our consumers. The maximum gas making capacity of the Hongkong Works at West Point is 1,150,000 cu. ft. gas per day. A new ½ million cu. ft. per day plant with all ancillary plant including Purifiers has been ordered for this Works and it is hoped that this plant will be erected during the latter part of 1956. The total manufacturing capacity on the island will then be 1,650,000 cu. ft. gas per day. To meet the anticipated seasonal load this winter a producer gas plant has been erected and is in operation at the Jordan Road Works. The maximum gas making capacity of this station is at present 1,100,000 cu. ft. At the moment a survey is being made to extend the service as far as Headland Road via Repulse Bay Hotel on the Island. In Kowloon the service will be extended to Laichikok and other areas.

NEW ANTI-TB HOSPITAL

In addition to a loan of $2.5 million, Government has granted the land to the Hongkong Anti-Tuberculosis Association for the building of a new Anti-TB Hospital which would be completed by next autumn. The new hospital will be built at Wong Chuk Hang behind Brick Hill. The first four floors of the 8-storey hospital would constitute the general class with 72 beds on each floor. The running costs—inclusive of fees for treatment and drugs—would be kept as low as $14 per day for each patient. Special class accommodation on the upper floors would be available at an all-inclusive fee of about $25 per head. Tuberculosis is still a major health problem in Hongkong. It was estimated that TB had caused almost one-seventh of all the deaths recorded here in 1954.

CHINA TRADE

According to the report of the General Manager of Kowloon-Canton Railway (British Section), traffic between Hongkong and China by rail during the year 1954-55 went from bad worse. The exported tonnage fell from 23,826 to 15,503, a decrease of 34.93% and the receipts from $278,051 to $172,334, a decrease of 38.02%. The imports also dropped by 26.28% in weight, from 139,973 tons to 103,188 tons, and 21.58% in revenue, from $904,800 to $709,505. The principal commodities and animals imported into the Colony by rail during the year (April 1954-March 1955) were:

Eggs	15,160	metric tons
Beans	11,672	„ „
Potatoes	4,694	„ „
Fresh vegetables	4,334	„ „
Cotton piece goods	3,876	„ „
Wood oil	3,783	„ „
Paper (common)	3,305	„ „
Bamboo poles	2,865	„ „
Bean noodles	2,231	„ „
Iron nails	1,813	„ „
Glass sheets	1,600	„ „
Chinese medicine	1,392	„ „
Match box sheets	1,363	„ „
Poultry	1,212	„ „
Chillies (dried)	1,175	„ „
Pigs	55,132	head
Cows	7,795	„
Buffalo	7,604	„
Goats	1,571	„

AIR LAOS

Air Laos inaugurated the weekly Vientiane-Hongkong service last week with 4-engined Boeing B-307 type Stratoliners equipped with reclining seats. The plane arrives here every Monday and departs for Vientiane every Wednesday.

(Continued on Page 383)

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

(September 12-17)

U.S.$

Sept.	T.T. High	T.T. Low	Notes High	Notes Low
12	$585	584¼	580¾	580⅜
13	584¾	583⅞	580⅝	579⅝
14	583¾	583½	579½	579
15	583¾	583¼	579⅜	578⅞
16	583¾	583¼	579⅛	578¾
17	583¾	583¼	579⅛	578⅞

D.D. rates: High 582¾ Low 581¼.

Trading totals: T.T. US$1,470,000; Notes, cash US$495,000 and forward US$1,900,000; D.D. US$355,000. The market was quiet. Easier tendency of New York cross rates and increased offers from Japan, Korea, Bangkok and the Philippines depressed quotations. Difference between T.T. and Notes reached four and a half points. In T.T. there was heavier offer from Bangkok. In Notes, liquidation by big operators forced prices down. It was reported that a certain bank accepted some small amount of notes in exchange for T.T. at a difference of four and a quarter points. Interest favoured sellers and amounted to $2.93 per US$1,000. Positions figured at US$2½ millions. In D.D., business improved slightly as a result of oversea Chinese remittances.

Yen and Piastre: The forward markets continued sluggish. Cash quotations were HK$1,425—1,420 per 100,000 yen; and HK$837.50—742.50 per 10,000 Piastre. Interest for change over for Yen was $9.94 per 100,000 in favour of buyers, and for Piastre 50 HK cents per 10,000 in favour of sellers. Piastre dropped heavily in line with free T.T. market as well as due to the flight of capital to HK.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK$: Philippines 1,925—1.90, Japan 0.01455—0.01445, Malaya 1.88—1.879, Indochina 0.0862—0.0752, Thailand 0.25575—0.253. Sales: Pesos 410,000, Yen 135 millions, Malayan $345,000, Piastre 13 millions, Baht 5½ millions.

Chinese Exchange: People's Bank notes were quoted at $185 per 100 Yuan. Taiwan Dollar at $161—157 per T$1,000; remittances at 157—156.

Bank Notes: Highest and lowest rates per foreign currency unit in HK$: England 15.45—15.40, Australia 12.06—12.03, New Zealand 13.66—13.65, Egypt 14.90—14.80, South Africa 15.32—15.30, India 1.175—1.17, Pakistan 1.00—0.97, Ceylon 0.95, Burma 0.70, Malaya 1.836—1.835, Canada 5.87—5.8575, Philippines 2.0025—1.99, Macao 1.02—1.015, Switzerland 1.35, France 0.0155—0.0153, Indonesia 0.12, Thailand 0.24—0.233.

Gold Market

Sept.	High .945	Low .945	Macao .99
12	$252⅞	252⅝	262⅝ High
13	252⅞	252⅜	
14	252½	252¼	
15	252⅝	252¼	
16	252⅝	252¼	Low 262⅜
17	252½	252¼	

The opening and closing prices were $252⅝ and 252⅜, and the highest and lowest were $252⅞ and 252¼. The market was very quiet and fluctuations small. Speculative activity was reduced to a minimum while cash dealings increased on improved export demand. Interest favoured sellers at 40 HK cents per 10 taels of .945 fine. Tradings totalled 27,600 taels or averaged 4,600 taels per day. Positions figured at a daily average of 26,800 taels. Cash sales amounted to 26,560 taels (4,360 listed and 22,200 arranged). Imports were mainly from Macao and totalled 14,500 taels. A shipment of 27,000 fine ounces arrived in Macao during the week. Exports totalled 21,000 taels (7,500 to Indonesia, 6,000 to Bangkok, 5,500 to Singapore, 2,000 taels to Rangoon). Differences paid for local and Macao .99 fine were $11.90—11.80 and 11.80—11.70 respectively per tael of .945 fine. Cross rates were US$37.78—37.76. 48,000 fine ounces were contracted at 37.75 C.I.F. Macao.

Silver Market: The market was quiet but prices continued to advance on enquiries by exporters. Bar silver at $6.00—5.97 per tael with 2,000 taels traded, $ coins at 3.92—3.89 per coin with 2,200 coins traded, and 20 cent coins at 3.00—2.97 per 5 coins with 1,800 coins traded.

HONGKONG SHARE MARKET

The market was very active last week with popular items making steady gains. Profit taking, however, forced down some of the shares by the end of the week. Interest was centred in Cements, Wheelocks and Banks. Yaumati lost $2 when the proposed cross-harbour tunnel was reported in local papers. The prospect of building this tunnel in the near future is not very big in view of its huge cost—$160 million. Furthermore, it involves the use of naval and military lands which might not be available.

Monday: On the opening day of the week Utilities advanced fractionally under sustained support while Cements rose sharply to $37½ with approximately 10,000 shares changing hands. Other firm spots were H.K. Banks, Lands and Dairy Farms. Wheelocks were active but eased to slightly lower levels. Textiles were in good demand at $5.90. Rubbers showed considerable improvement although there was little change in the price of raw rubber. The market closed steady and the turnover amounted to approximately $2,460,000. **Tuesday:** After a steady opening in which a number of issues registered fractional gains, the market eased towards noon and continued in the trend during the afternoon session. After their recent sharp rise, Wheelocks and Cements came in for a fair amount of liquidation. The turnover for the day amounted to approximately $2,450,000. **Wednesday:** Trading was on a light scale during the half-day session with only minor fluctuations either way. Wharves and Wheelocks were a shade firmer whilst Lands eased fractionally. Rubbers were dull and neglected. The turnover amounted to approximately $690,000. **Thursday:** Price changes were negligible and the market was featureless. The turnover for the day amounted to approximately $1,320,000. **Friday:** On the closing day of the week trading ended on a dull note with the turnover amounting to only $950,000. The undertone was quietly steady.

SINGAPORE SHARE MARKET

Prices in all sections tended to advance and the volume of business showed a moderate improvement. More confidence was apparent from increased investment in local industrials and there was renewed interest in both Tins and Rubbers.

Fraser and Neave and Malayan Breweries with accounts for year ended 30th June, 1955, due next month, had better inquiry. Fraser & Neave climbed from $1.72½ to $1.77½ and Breweries from $3.40 to $3.50. Despite the continuation of the strike, Singapore Cold Storage at $1.80 showed a gain of ten cents and Metal Box showed a similar gain with transactions at $1.57½. Both Malayan Cement and Malayan Collieries had little movement around $1.70 and 92 cents respectively. Neglected of late, William Jacks improved to $3.30, Straits Times to $2.92½ and Gammons to $2.72½. Sime Darby and Robinsons had small exchanges at $2.00 and $2.40, the latter still cum 26½%, and Hammers were no better at $2 62½ cum the 10% interim. Wearnes had greatly increased turnover from $2.85 to $2.92½.

With London unable at present to offer shares, Lower Perak jumped from 14/3 to 15/- and had considerable exchanges at 15/-, the latter price attracting some profit taking. Petalings were

a neglected counter at $4.60, Talam Mines were taken to $2.00, Sungei Way at the close had recovered to $3.47½ ex the interim of 15% and Kuchai were in demand up to $2.02½. Of the Burma Malay group only the parent company had exchanges, all at 23/3. Austral Amalgamated had sellers at 16/3, Pungah had exchanges at 10/3 cd and Kampong Kamunting at 5/9. Kuala Kampar continued to improve and had buyers at 30/6. Siamese Tins were taken from London at 8/3 and Pukets at 3/-. Kamunting improved to 10/- but Tekka Taiping were lower with business at 7/6. Ayer Hitam Tin Rights were sold to London in quantity at varying prices down to 1½d. On speculative interest arising from rumours of increased outputs, Raub Gold shot up to $1.40 buyers but closed 15 cents lower.

Generally Rubber shares were inclined to improve. Amalgamated Malay jumped ten cents to $1.85 on the announcement of the 30% dividend. Kempas cum 20% improved to $1.80 buyers. Changkat Serdang's announcement of an offer for the estate (see below) was welcomed by shareholders, who estimate that the future holds more than $3.00 a share in store for them. Temerloh fluctuated wildly up to $1.25 and back to $1.05 on rumours that tin deposits proved to exist in the same district extended to Temerloh property.

HONGKONG COMPANY INCORPORATIONS

The following new private companies were incorporated in Hongkong during the period from August 8 to September 3, 1955:

Hancock Corporation Limited:— Exporter and importer; Nominal Capital, $500,000; Registered Office, c/o Lowe, Bingham & Matthews, Alexandra House, Hongkong; Subscribers—A. D. McCracken, Alexander House, Hongkong, Chartered Accountant; G. B. Howell, Alexandra House, Hongkong, Chartered Accountant.

Tai Lung Construction and Investment Company, Limited:— Nominal Capital, $200,000; Registered Office, 39 Connaught Road Central, Hongkong; Subscribers—Lam Tat, 30 Kimberley Street, Kowloon, Merchant; Chen Tseng Hsi, 39 Connaught Road Central, Hongkong, Merchant.

Wing King Tong Company, Limited:— Stationers & printers; Nominal Capital, $500,000; Registered Office, 83 Apliu Street, Kowloon; Subscribers—Yam Wan Pun, same address, Merchant; Yam Wan Keung, 91 Apliu Street, Kowloon, Merchant.

A. de O. Sales and Company, Limited:— Importers & exporters; Nominal Capital, $300,000; Subscribers —R. C. M. Sales, 278 Prince Edward Road, Kowloon, Merchant; A. de O. Sales, 105 Kadoorie Avenue, Kowloon, Merchant.

American Bottling Supplies and Trading Company (H.K.) Limited:— Nominal Capital, $10,000; Subscribers —James Templer Prior, 2 Queen's Road Central, Hongkong, Solicitor; Lee Man Kit, 2 Queen's Road Central, Hongkong, Solicitors' Clerk.

South China Commercial Corporation Limited:— Importers & exporters; Nominal Capital, $200,000; Registered Office, Mezzanine floor, Telephone House, Hongkong; Subscribers—Tu Fok San, 18 Kai Yuen Terrace, King's Road, Hongkong, Merchant; Sun Wai Vei, 18 Kai Yuen Terrace, King's Road, Hongkong, Housewife.

Amalgamated Construction, Maintenance & Engineering Company Limited:— Nominal Capital, $250,000; Subscribers —N. Hart Baker, 7 St. George's Mansions, Kowloon, Engineer; R. A. J. Saunders, 21 Waterloo Road, Kowloon, Broker.

The Casey Company Limited:— Nominal Capital, $600,000; Registered Office, 78 Jardine's Lookout, Hongkong; Subscribers—Liu Kwai Cheong, 78 Jardine's Lookout, Hongkong, Merchant; Lena Liu, 78 Jardine's Lookout, Hongkong, Married Woman.

Grand Restaurant Limited:— Nominal Capital, $300,000; Registered Office, Chinese General Chamber of Commerce Building, Hongkong; Subscribers—Ko Chuk Hung, 6 Chester Road, Kowloon, Merchant; Wong Oi Chor, 702 King's Road, Hongkong, Merchant.

Bond Bros. & Co. (H.K.) Limited:— Importers & exporters; Nominal Capital, $50,000; Registered Office, 504 Great China House, Hongkong; Subscribers—Rupert Bond, 10-15th Ave., San Francisco, Calif., U.S.A., Merchant; John V. T. Lu, 504 Great China House, Hongkong, Merchant.

Orion Gloves Limited:— Nominal Capital, $250,000; Registered Office, 303A Kai Ming Building, Hongkong; Subscribers—Walter Martin Sulke, 563 The Peak, Hongkong, Merchant; Heinz Moses Pick, 51 Davey Avenue East Brighton, Melbourne, Australia, Merchant.

Tack Mow Company, Limited:— Nominal Capital, $6 million; Registered Office, 6 Hampshire Road, Kowloon; Subscribers—Chan Bing Yee, 6 Hampshire Road, Kowloon, Merchant; Chan Hing Wa, 146 Boundary Street, Kowloon, Merchant.

Co Co Ice Cream Company, Limited:— Nominal Capital, $240,000; Registered Office, 214-216 Yee Kuk Street, Kowloon; Subscribers—Mok Lo, 69 Queen's Road Central, Hongkong, Merchant; Mok Yin, 69 Queen's Road Central, Hongkong, Merchant.

Atlas Shipping Agencies Limited:— Nominal Capital, $50,000; Registered Office, 79 Shing Woo Road, Hongkong; Subscribers—Einar Valentin Olsson, 79 Shing Woo Road, Hongkong, Merchant; Terry Susan Olsson, 79 Shing Woo Road, Hongkong, Married Woman.

Burkill, Neel and Company Limited:— Nominal Capital, $1 million; Registered Office, 101-2 Edinburgh House, Hongkong; Subscribers—Leonora L. Cain, 41B Granville Road, Kowloon, Secretary; Charles John Smith, 3 College Road, A.3, Kowloon, Company Secretary.

Kin Shing Knitting Company, (H.K.) Limited:— Nominal Capital, $200,000; Registered Office, 62 Castle Peak Road, Kowloon; Subscribers—Ho Tim, 43 Village Road, Happy Valley, Hongkong, Merchant; Ho Kai Sau, 12 Wing Hing Street, Hongkong, Merchant.

The House of Shen Limited:— Curio dealers; Nominal Capital, $50,000; Registered Office, Gloucester Arcade, Hongkong; Subscribers—Shen Tak Fai, 81 Austin Road, Kowloon, Merchant; J. R. Oliver, 22A Kennedy Road, Hongkong, Solicitor.

Mandarin Arts Limited:— Nominal Capital, $50,000; Gloucester Arcade, Hongkong; Subscribers—Shen Tak Fai, 81 Austin Road, Kowloon, Merchant; J. R. Oliver, 22A Kennedy Road, Hongkong, Solicitor.

Lincoln International Limited:— Importers and exporters; Nominal Capital, $1,000; Registered Office, Hongkong & Shanghai Bank Building, Hongkong; Subscribers—J. H. Hamm, 516A The Peak, Hongkong, Merchant; Norman A. Brown, 114 The Peak, Hongkong, Chartered Accountant.

Lucky Rubber Manufacturing Company, Limited:— Nominal Capital, $500,000; Registered Office, 210 Tak

HONGKONG AND FAR EASTERN TRADE REPORTS

Last week's local commodity market was active with strong demand from Korea, Japan and Southeast Asia. Trading, however, remained selective and transactions were limited to small quantities by short stocks of popular items of paper, metals and China produce. There were more enquiries than orders from overseas for pharmaceuticals and industrial chemicals. Cotton yarn and cotton piece goods markets were slow but prices were steady.

TRADE DEVELOPMENTS

China Trade: China bought 30,000 bales of raw cotton from India. According to New Delhi, Peking was also negotiating the purchase of caustic soda and soda ash from India. To Burma, China consigned two shipments totalling 15,969 tons of rolled steel, raw silk, cotton yarn and cloth, glass, paints, enamelwares and other commodities. China's purchase in the local market remained selective and buying offers low.

Japan Trade: Improved demand from Southeast Asia for Japanese manufactures encouraged local dealers to book more Japanese woollen goods, rayon yarn, nylon textiles, cement and granulated sugar. From here, Japan bought scrap iron and popular items of China produce.

Korea Trade: Of the $10 million allocated for imports during September and October, only $2.45 million were taken up by importers in Korea last week. Korea's demand for various items remained strong but many orders were curtailed by short stocks here. Meanwhile Seoul divided all imports into two groups: (1) Ordinary Imports—goods imported with dollars obtained from the Bank of Korea at the official rate of 500 Hwan to one dollar; (2) Special Imports—goods imported with dollars earned from exports and other sources. Under ordinary imports are items such as foodstuffs, raw materials, fuel, vegetable and animal oils, chemical drugs, finished and processed goods (cement, paper, textiles, steel products, etc.), machinery and transportation equipment, and books. Special imports cover all items under ordinary imports plus commodities such as farm equipment, machines and tools, chemical processed goods, electric appliances, stationery, building materials, automobiles and foreign movies. During the week, Seoul invited tenders for the supply of communication equipment and structural steels.

Indonesia Trade: Shipments to Indonesia were slowed down by the recent promulgation of new regulations governing imports and exports in Djakarta. Local dealers and importers there were waiting for the clarification of the new situation.

Burma Trade: Rangoon invited bids for the supply of 1.5 million yards of cotton piece goods comprising of dyed poplin, grey knitted cloth and bleached knitted cloth. Rangoon also enquired for cotton yarns in the local market.

Indochina Trade: Exports to Indochina remained active. Shipments to Pnompenh included wheat flour, marine products, vegetables and fruits, sugar, metals and metalwares, cotton piece-goods, and sundries. Importers in Saigon were interested in cotton yarns, sewing machines, torch batteries and textiles. There was no business with Haiphong.

Thailand Trade: Bangkok increased the import duties on non-essentials, luxuries and goods which can be manufactured at home; cut the import duties on medical supplies and fire extinguishers; reduced the export duties on beans, fruits, garlic, eggs, fish and rubber; and allowed exporters to retain the foreign exchange earned from rubber exports. Out of the prohibition list of 84 items, 61 articles were lifted. Free importation of these commodities is now allowed by Thai authorities. Enquiries reached here during the week covered paper, foodstuffs, garlic, sundries, felt hats and other HK manufactures.

COMMODITIES

China Produce: Sesame registered gains early in the week when cost went up and Japan's demand remained strong; but later eased under heavy arrival from Thailand. Europe was interested in hop seed. One shipment went direct from Shanghai to Europe. Gallnuts enjoyed steady demand from Japan but the transaction was still pending due to the low buying offer. Thai groundnut kernel failed to improve on strong local consumption on account of the heavy supply reached here during the week. Items which registered gains on demand from Japan and Southeast Asia included silk waste, dried ginger, garlic and maize. On the other hand, prices of groundnut oil, cassia lignea and green peas were depressed by heavy stocks. Demand from various sources also included: Europe—aniseed oil, cassia lignea and menthol crystal; Japan—woodoil, linseed, raw silk, rhubarb and broad beans; Southeast Asia—galangal, talcum, gypsum, spun silk, raw silk, teaseed cake and rhubarb. Local consumption of red beans and soya beans remained steady.

Metals: Business was slow not only because demand was limited to selective items but also due to low buying offers from overseas. On the other hand, cost of Japanese galvanized iron sheets and European aluminium sheets advanced further, forcing up prices of these items in the local market. Blackplate was stimulated by orders from Korea, blackplate waste waste by enquiries from China, zinc ingot by demand from Taiwan, and scrap iron by strong buying offers from Japan. Items which enjoyed steady local demand were structural steels, corrugated galvanized iron sheets, blackplate waste waste, tinplate waste waste, aluminium sheets and iron wire nails. About 160 tons of HK manufactured mild steel round bars were shipped to Africa.

Paper: The market was active with keen enquiries from Korea and Indochina. Prices of popular items were further stimulated by the lack of indent offers for European paper particularly in the case of unglazed kraft, tissue, duplex board, woodfree printing and newsprint in reels. Short stock also improved prices of newsprint in reams, M.G. cap, transparent cellulose paper, cigarette paper and aluminium foil. Japanese duplex board, however, declined under the weight of heavy arrivals. Trading was still curtailed by low buying offers. Demand from Korea covered woodfree, newsprints, tissue, transparent cellulose paper and aluminium foil; from Indochina—duplex board, cigarette paper, M.G. cap, manifold, poster, newsprint in reams and woodfree; and from Thailand—greaseproof. Items which remained popular with local consumers were newsprint in reams, M.G. white sulphite, strawboard, aluminium foil and duplex board.

Pharmaceuticals: Marked-down indents for European sulphonamides and enquiries from Southeast Asia for these items, encouraged speculative buying in the local market. Enquiries from Southeast Asia also covered quinine powders, PAS, saccharine crystals and phenacetin powder. The volume of these orders was small and many transactions miscarried on account of low buying offers. The market also registered demand from Korea for PAS and saccharine crystals; from Taiwan for salicylic acid; and from local dispensaries and hospitals for dihydrostreptomycin.

Industrial Chemicals: There were more enquiries than orders from Korea for soda ash, sodium cyanide, sodium bichromate, sodium nitrate, linseed oil, chlorate of potash, tanning extract, ammonium bicarbonate, oxalic acid, acetic acid, formalin, lithopone and sulphur powder; from Taiwan for gum arabic and rongalite C lumps; from Indochina for caustic soda; and from China for granular borax. Prices in general were steady.

Cotton Yarn: Hongkong yarns remained steady on orders from local weaving mills and enquiries from Indo-

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Shing Building, Hongkong; Subscribers—Fong Shu, 144 Shaukiwan Main Street, Hongkong, Merchant; Lau Ching Ming, 306 King's Road, Hongkong, Merchant; Lo Pak Kin, 542 Lockhart Road, Hongkong, Merchant.

India China Enterprises, Limited:—Commission agents & ship owners; Nominal Capital, $100,000; Registered Office, 24 Ashley Road, Kowloon; Subscribers—G. K. Gidwani, 24 Ashley Road, Kowloon, Merchant; E. H. Carvalho, 24 Ashley Road, Kowloon, Service Manager, Far East Motors Ltd.

RICE PRICES

Rice is not a homogeneous product and the large number of qualities and grades of both paddy and processed rice make any comparison of prices difficult. The price differences, known as "differentials," between different varieties are very wide and, because of the lack of any organized market such as those existing for other commodities, continuous series of prices are not available, according to the Food & Agriculture Organisation of U.N. Rice which enters into international trade is priced on an ad hoc basis, the price of each variety being largely determined by governments or selling agents "according to demand."

However, while no close comparison of the prices of rice at the producer, wholesale, or retail levels can be made between countries, the divergent development of rice prices on the various national markets and on the world market during the first months of 1955 presents an interesting picture.

While in certain rice producing countries no significant change has taken place in the prices paid to the farmer, or in the price to the consumer, in other countries there has been a marked upward trend since January 1955, in sharp contrast to the export market where prices have been falling steadily since the beginning of the year. In the United States, the price received by farmers has been fairly well maintained by the support system. Rice growers had sold or pledged up to 1,170,000 tons of paddy to the Commodity Credit Corporation under the 1954 price support program, as the price on the free market had fallen below the support price level. The United States farmer received $102 per ton in December 1954, and only $97 in February, but the price rose again to $100 in May 1955. In Italy, because of accumulating supplies and difficulties in disposing of them, the government has entered the market, prices thus rising from $92 per ton in December 1954 to $102 in the first months of 1955. In Thailand, as news of the 1955 crop became worse, prices to the farmer were increased by $6 per ton. On the other hand, wholesale prices in some districts in India, notably in the south, have fallen by 10 to 15 percent, and it is natural to assume that paddy prices also have dropped significantly.

Wholesale prices started falling in September 1954, except in the United States, but have risen in the last two months. In India, the free price of Kalma variety, at Calcutta, fell from $103 per ton in September 1954 to $87 in March 1955, but rose to $92 in May. In Pakistan, the fall was equally steep, from $121 per ton in September to $95 in February for medium variety at Dacca, though it has increased steadily since. Egypt, on the contrary, has shown no change at all, although its export prices have dropped by $4 per ton. In the United States, wholesale prices have been increasing steadily since the last months of 1954. The increase in prices affected all grades and qualities of rice, though in varying degrees. Thus long grain rice at New York (Blue Bonnet variety) rose by 8 percent from January to May. Medium grain rice, No. 2 Zenith, at New Orleans, has increased by more than 20 percent since January, thus recording its highest level since 1952. In contrast, California Pearl (short grain rice) did not rise at all during these five months. The high prices prevailing for United States rice have resulted in lower exports during the first months of 1955 compared with the same period of the previous year. Only a by-product, bran, competed successfully for export at about $60 per ton, c.i.f. United Kingdom/Continent ports, prices having fallen about 30 per cent since January.

During the first five months of 1955 export prices have fallen sharply. Quotations for milled rice, c.i.f. Northwest European ports, for all varieties, fell between 5 and 10 percent, although freight rates have risen significantly during this period. Prices of Siam Patna No. 1 fell from $199 per ton in January to $182 in May, and Italian originario raffinato, 5 percent brokens, from $175 to $164 per ton. Burma Ngatsein Loonzain dropped from $141 per ton in January to $122 in February, but subsequently rose slightly. Broken rice and rice bran have registered the sharpest decline in prices. Two factors account for this. Stocks of old crop rice from Burma and Thailand have swelled supplies and the fall in prices of coarse grain during this period have forced down prices of rice for animal feeding and industrial purposes. Thailand Brokens A1 Ordinary fell from $115 per ton in February to $96 in May, Burma Brokens 2/3/4's have dropped by $2 since the beginning of the year.

The paucity of representative data on retail prices limits the possibility of analyzing the prices of rice to the consumer. But from the scattered data available for the first months of 1955, it is apparent that prices have fallen generally on the European market, in Western Germany from DM 1.49 per kilogram in September 1954 to DM 1.22 in March 1955; in Switzerland from 1.63 francs per kilogram in September to 1.47 francs in April 1955. In the United States, despite the increase in wholesale prices, the average retail price of rice has declined from 19.3 cents per pound in September to 17.8 cents in April.

Rice: Paddy, Wholesale, Retail, and Export Prices. January-May 1955 compared with one Month of 1954

Country and quality	1954 Sept.	1955 Jan.	Feb.	Mar.	April	May
	.... U.S. dollars per metric ton					
PADDY						
United States	89	98	97	98	100	100
Italy	101	102	102	102	—	—
Thailand	62	61	63	64	—	68
WHOLESALE						
Egypt	84	84	84	84	—	84
India	103	91	90	87	91	92
Pakistan	121	106	95	96	100	111
United States:						
Blue Bonnet, New York	253	259	265	270	281	281
No. 2 Zenith, New Orleans	171	204	204	205	231	248
California Pearl, San Francisco	187	187	187	187	187	187
Rice bran, Houston	75	99	99	77	62	61
RETAIL	......U.S. cents per kilogram......					
United States	42	39	39	39	39	—
Switzerland	37	36	35	34	34	—
	(Dec.)					
EXPORT, C.I.F.	.... U.S. dollars per metric ton					
Siam Patna No. 1	214	199	189	189	188	182
Italian, originario, 5% brokens	175	175	168	168	168	164
Burma, Ngatsein Loonzain	—	141	122	131	—	—
Thailand, Brokens A1, Ordinary	99	97	115	105	97	96

PADDY — United States: Average price received by farmers.—Italy: Free price to producers, Pavia.—Thailand: Na Suan No. 1, wholesale price, alongside mills, Bangkok.

WHOLESALE (milled rice)—Egypt: Average wholesale price fixed by government.—India: Free price at Calcutta, Kalma variety.—Pakistan: Medium variety at Dacca, East Pakistan.—United States: F.o.b. prices.

RETAIL — United States: Average price.—Switzerland: Retail price of glazed rice on free market, average of 34 towns.

EXPORT — Milled rice, c.i.f. United Kingdom/Continent ports.

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BUILDING SOCIETY

The Civic Association has invited the Colonial Development Corporation to send a representative here to make a survey of the possibility of cooperating with local interests in the establishment of a Building Society. Recently, an official of the Civic Association visited Singapore and discussed Hongkong's housing problems with the Singapore office of the Colonial Development Corporation, which was primarily responsible for the formation some years ago of the Federal & Colonial Building Society, with offices in Singapore and various parts of Malaya. The Building Society will help residents here to build their own homes to be paid for in instalments at reasonable rates of interest over a period of between five to fifteen years. The Colonial Development Corporation would send one of its experts to Hongkong in the near future to survey the situation.

RICE TRADE

Country	1950 I-XII	1951 I-XII	1952 I-XII	1953 I-XII	1954 I-XII	1954 I	1954 II	1954 III	1955 I	1955 II	1955 III
	Thousand metric tons										
EXPORTING COUNTRIES											
Associated States of Cambodia, Laos, Viet-Nam	115	333	230	197	352	41	27	23	12	16	—
Australia	35	28	22	34	29	4	2	2	2	3	4
Brazil	95	165	172	3	—	—	—	—	—	—	—
British Guiana	30	31	28	40	31	2	2	3	3	3	5
Burma	1,198	1,268	1,261	970	1,460	70	68	185	149	136	182
Ecuador	62	7	57	33	6	—	1	—	—	—	—
Egypt	178	313	16	1	46	—	—	—	12	8	8
Italy	230	232	275	243	167	17	24	22	9	19	10
Mexico	28	1	2	—	—	—	—	—	—	—	—
Pakistan	—	206	14	88	—	—	—	—	—	—	—
Thailand	1,508	1,612	1,413	1,342	1,009	64	74	116	45	114	163
United States	492	491	791	696	554	86	91	74	19	11	51
Others	20	168	198	275	217	11	22	16	14	2	—
TOTAL	**3,991**	**4,855**	**4,479**	**3,922**	**3,871**	**295**	**311**	**441**	**265**	**312**	**423**
IMPORTING COUNTRIES											
EUROPE, Total	542	405	267	220	269	20	23	26	16	25	23
N. and CENT. AMERICA											
British West Indies	40	35	40	45	34	2	2	3	3	3	5
Canada	31	24	27	30	28	2	3	2	6	1	1
Cuba	307	252	217	250	185	19	14	5	10	8	7
Others	11	8	39	6	8	—	—	1	—	—	1
Total	389	319	323	331	255	23	19	11	19	12	14
SOUTH AMERICA, Total	70	120	38	50	30	2	4	1	2	—	1
ASIA											
British Borneo	28	38	35	26	36	—	6	4	2	3	6
Ceylon	452	413	358	410	380	24	25	33	14	2	6
China	85	20	14	—	—	—	—	—	—	—	—
Hongkong	164	209	208	304	122	4	7	10	12	23	26
India	336	783	704	221	560	—	—	—	—	—	—
Indonesia	333	500	630	330	249	48	47	51	—	—	—
Japan	614	784	856	1,003	1,006	127	134	218	3	34	91
Jordan	10	3	1	—	6	—	1	—	—	—	2
Malaya and Singapore	496	511	529	538	301	24	23	29	22	49	56
Philippines	7	111	63	—	16	—	—	—	—	—	—
Portuguese India	19	6	8	—	—	—	—	—	—	—	3
Syria and Lebanon	22	15	11	7	26	2	1	—	6	3	3
Korea and Ryukyu	30	116	158	250	41	—	—	17	—	2	—
Others	123	194	87	67	205	4	4	15	150	138	185
Total	2,719	3,703	3,662	3,156	2,948	233	248	377	209	254	378
AFRICA											
French territories	93	135	61	63	78	4	7	13	9	10	—
Liberia	—	3	3	2	7	—	—	1	1	1	—
Mauritius	30	21	24	48	30	—	—	—	—	1	1
Union of South Africa	2	—	22	5	1	—	—	—	—	2	—
Total	125	159	110	118	116	4	7	14	10	14	1
UNSPECIFIED	146	149	79	47	253	13	10	12	9	7	6
TOTAL	**3,991**	**4,855**	**4,479**	**3,922**	**3,871**	**295**	**311**	**441**	**265**	**312**	**423**

NOTE: Paddy is expressed in terms of milled rice at the conventional rate of 65%.

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china; Japanese products were sluggish due to the lack of demand; while Indian goods were depressed by heavy stock.

Cotton Piece Goods: Trading was slow in the local market but prices were steady on the strength of enquiries from Burma and Vietnam.

Rice: With the exception of Thai broken, A grade rice which firmed up on increased cost, prices of other grades were easier during the week on account of heavy arrivals from China and Thailand.

Wheat Flour: Enquiries from Korea and other sources were keen but trading was light due to short stock of American flour. Vietnam favoured Australian flour which was also low in stock. Prices of all types were firm.

Sugar: Enquiries and orders from Indochina and Korea failed to improve the market due to heavy arrival of supplies from Japan and Taiwan.

Hongkong Products: According to German Consulate-General here, most of HK manufactures can be shipped to West Germany without restrictions. In order to promote the export of HK products, Department of Commerce & Industry is distributing 500 copies of booklet inviting overseas visitor to attend the coming 13th Annual Exhibition of Hongkong Products (December 1955 to January 1956). Each booklet includes a card entitling the overseas visitor to special privileges at the exhibition ground.